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THE COMMERCIAL LEGISLATION OF ENGLAND  
AND THE AMERICAN COLONIES,  
1660-1760.\*

WITH the impressive rhetoric of which he was a master, Adam Smith, in the very year of the Declaration of Independence, thus passed judgment upon the system of control which for more than a century England had exercised over the economic activity of her colonies:

To prohibit a great people from making all that they can of every part of their own produce, or from employing their stock and their industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind.

Some such opinion has probably been expressed or implied by nearly every writer on the subject from that time to this. A period in which, to begin with, the old colonial system was apparently discredited by its failure, and in which, soon afterwards, all the dominant forces

\* A lecture before the University of Oxford, February 4, 1899.

in political society began to tend towards emancipation, towards liberation from restraint, was not an age in which Adam Smith's summary appeal to "the most sacred rights of mankind" was likely to be seriously called in question: nor shall I seek to controvert it to-day. But, starting from such a preconception, it has seemed to many a natural inference,—though, as we shall see, Adam Smith took care not to draw it,—that so seemingly manifest an iniquity must have been actually hurtful to those who were subjected to it; that what was mistaken in principle must have been mischievous in operation. We cannot be surprised that the first generation of American historians should think so; writing, as they did, before the passions provoked by the great struggle had had time to subside. Thus Bancroft did not hesitate to pronounce "the effects of this system" "baleful"; and he proceeded to justify this statement by an argument which was designed to show that it robbed the colonists in two ways: it compelled them to pay more than their "fair value" for the commodities they imported, and to accept less than their "fair value" for the commodities they sold. But a like opinion is not confined to American historians: it has come to be very generally accepted by English writers; and upon its side it has the authority of the most painstaking and the most widely read of the historians of the eighteenth century,—the judicious Mr. Lecky himself. In two well-known passages in his second and fourth volumes, Mr. Lecky leaves no doubt as to his conviction. Though "the country"—*i.e.*, the American colonies—"was," he says, "growing rapidly richer," yet "its progress was seriously retarded," and "many of its natural capacities were paralyzed by law." "It is," he elsewhere remarks, "undoubtedly true that the commercial policy of England had established a real opposition of interest between the mother country and her colonies." If so, it would have demanded an unwholesome degree of patience

for the Americans to have submitted with cheerfulness. Commerce must, in the words of Bancroft, have been "converted into a source of rankling hostility"; in the more subdued language of Mr. Lecky, "political alienation" could not have failed to be "the inevitable consequence." Mr. Lecky's philosophy of the American Revolution is, therefore, this,—though the passage is almost too familiar for quotation :

If the policy which was the proximate cause of the American Revolution was chiefly due to the king and to the landed gentry, the ultimate cause may be mainly traced to the great influence which the commercial classes possessed in British legislation. The expulsion of the French from Canada made it possible for the Americans to dispense with English protection. The commercial restrictions alone made it their interest to do so.

I propose to set forth what seem to me adequate reasons for believing that this view of the case is altogether mistaken; that, whatever may have been the objects it had in view,—and these objects, I shall not attempt to deny, were largely selfish,—the policy of England was not, as a matter of fact, economically disadvantageous; that, on the contrary, it was beneficial to the American colonies. Adam Smith's principle of natural rights I shall leave untouched. I shall not even criticise the short and easy syllogism which involves the colonial policy in the same condemnation with mercantilism. Yet I cannot but anticipate that a more accurate knowledge of the facts of the case may put us into a better position to deal fairly even with these ultimate questions of political principle and economic theory.

The laws of England, affecting the trade and industry of the American colonies, fall, with one notable exception to be dealt with by and by, into three groups; and it is essential to bear in mind the differences between them. There were, in the first place, the *Navigation Laws* proper; in the second place, what we may conven-

iently christen the *Enumeration Laws*; and, lastly, and as we shall see, of far less significance, the *Laws concerning Manufacture*. We will look at them in this order.

I. The act of 1660,—directed, as we all know, primarily against the Dutch, who seemed likely to monopolize the carrying trade of the world,—enacted that no commodities should be imported into or exported from any British plantation in Asia, Africa, or America, except in British ships. “British,” I use for the sake of brevity. The phraseology of the act was more cumbrous: it was, “Ships which truly . . . belong only to the people of England or Ireland, Dominion of Wales or town of Berwicke upon Tweede,” or “are of the built of, and belonging to any of the said . . . Plantations or Territories . . . and whereof the Master and three fourths of the Mariners at least are English.” Students of the history of the period need hardly be told, though the earlier American historians and some English historians have occasionally forgotten, that the word “English” included all subjects of the English crown, and, therefore, the colonists. If there were any doubt, it would be removed by an early act of Charles II.\* It would be correct, then, to say that by this act a monopoly of the “English” colonial trade was given to “English” ships; but, to avoid ambiguity, it may be well to keep “English” for the island and “British” for the empire.

That this restriction was felt as a grievance at first by the Virginians, who had, for some years past, put large quantities of their tobacco on board Dutch ships, and that

\*1662. 14 Car. II., c. 11, § 5. “Whereas it is required by the said Act”—the Navigation Act of 1660—“that in sundry cases the Master and three fourths of the Mariners are to be English, it is to be understood that any of His Majesty’s Subjects of England, Ireland and His Plantations are to be accounted English and no others.” The same clause also enacted that “no Forreign built ship (that is to say) not built in any of His Majesty’s Dominions of Asia, Africa or America or other than such as shall be bought before Oct. 1, 1662, shall enjoy the privilege of a ship belonging to England or Ireland, although owned and manned by English.”



it created some annoyance here and there in other colonies, cannot be doubted; just as that other clause of the act which prevented the importation of any commodities into England from other European countries, except in British ships or in ships of the producing country, sent up the cost of freight and caused some temporary irritation among English traders. Adam Smith justly observes that these clauses "were not favorable to foreign commerce, or to the growth of that opulence which can arise from it": he omitted to explain that this need only be true for a comparatively short period after the passage of the act. We might be content to share his position that, even if the law were economically disadvantageous both to England and the colonies, it was nevertheless wise, on the ground that "defence is of much more importance than opulence." But, for the colonies at any rate, we are not shut up to this non-economic consideration. It is certain that under the operation of the act ship-building soon became the chief industry of New England. In less than twenty years New England ships began to be sold in Old England. During the next few decades the business sprang up in every town along the New England coast and in many a riverside village for miles inland. About 1720 Massachusetts alone launched 150 ships a year; and in 1724 the master-builders of the Thames complained to Parliament that they were seriously injured by colonial competition, and prayed for protection. In view of the language which Franklin got into the habit of using in his later years about "the interest of all America" being "lightly estimated" in England "when the interests of a few of the inhabitants of Great Britain happened to have the smallest competition with it," it may be worth noticing that the request of the Thames ship-builders was not granted. In New England timber was cheap and easily accessible; and it may be plausibly conjectured that, even

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without any such protection for colonial-built shipping as the act afforded, these advantages would have enabled the colonists after a time to compete with the Dutch, who had to fetch their ship timber from the Baltic. But when we recall Child's lamentations over the inferiority of English ships in point of construction and ease of navigation, and the much lower freight rates which the Dutch were able to offer for this and other reasons, it certainly seems very probable that, but for some such forcible exclusion of foreign ships, the development of New England ship-building would have been retarded by half a century or more. Accordingly, the younger generation of American historians are beginning to point out that a much larger place must be assigned to this industry in the economic history of the American people than has hitherto been customary; and, further, to assert, in the words of a Harvard colleague of mine, that "the restriction of trade to English and colonial vessels" actually "stimulated ship-building and the shipping interest in the colonies."\* The complaints of the Virginian planters soon died away. English-built and colonial-built shipping competed for the privilege of carrying their tobacco, and they were too obviously prosperous to be effective grumblers.

To this immediately economic consideration we may add two others of a mixed political and economic character. The one is that the rapid expansion of American commerce, carried on, as we have seen, largely in American-built ships, took place,—and under the circumstances of the time could only take place,—beneath the protection of the English naval power. To the direct support of this power the colonies contributed only to an inappreciable extent, by grudgingly furnishing a few masts for the navy.† This fact can be disregarded only by one who supposes that the colonies could have stood alone, and

\* A. B. Hart, *Formation of the Union*, p. 46.

† E. L. Lord, *Industrial Experiments in the British Colonies of North America*, pp. 105-123.

who does not also remember that colonial hopes and fears contributed in no small degree to involve England in each of the great wars of the period.

The other consideration is that colonial enterprise largely benefited by the opportunities opened to it by the naval successes of the mother country. A recent American historian, unsympathetic towards the colonial system, but acquainted with the details of American business, observes, in passing, that, "Whenever a political change in the foreign relations of England opened a port, or admitted commerce with any country, it quickened the commercial movement along the whole New England line." \*

II. Now we pass to the *enumerating* enactments. The statute of 1660 forbade the exportation from the colonies to any country save England and the other plantations of certain enumerated articles,—whence the term; namely, ginger, sugar, tobacco, cotton wool, indigo, fustic, and other dyeing woods. The list sounds a formidable one; but the only commodity among them produced in any quantity by the American continental colonies was tobacco, the staple product of Virginia, and later of Maryland also. Rice, which began to be raised in the Carolinas towards the end of the century, was added to the list in 1706, together with the group of articles known as "naval stores"; and copper and beaver skins were inserted in 1722.

None of the staple articles of the trade of New England were ever enumerated during the century 1660–1770,—neither fish, nor vessels, nor timber,† nor rum; and during the whole of the period before us they could be carried wherever a market might be found.

The historical order of enumeration is also the order of

\* W. B. Weeden, *Economic and Social History of New England*, ii. 643; referring more particularly to the second quarter of the eighteenth century.

† Except masts and bowsprits after 1706.

importance; but it will be convenient to take it backwards, and so get the insignificant articles out of our way. By 1722 the fur trade of the English colonies, which had for some time been practically confined to the province of New York, had almost come to an end. For quite sufficient geographical reasons, it had passed into the hands of the French of Canada. The "Enumeration" was grumbled at, of course; but it was accompanied by a reduction to one-third of the duties levied on importation into England: and neither restriction nor favor had any substantial effect on a branch of trade bound speedily to disappear. The enumeration of copper was intended for the benefit of the navy. It was suggested by certain wildly exaggerated reports of mineral discoveries; but hardly any copper was mined in America until the present century.

The case of rice calls for more notice. In consequence of its enumeration in 1706, Carolina lost for a time a great part of the Portuguese market, which had been recently carrying off one-fifth of the total output. In 1730, however, the English Parliament so far relaxed the restriction as to allow of rice being shipped directly to any country south of Cape Finisterre. Henceforth, in an average year, Carolina exported some 50,000 barrels. Of these 10,000 went direct to Portugal. Spain and the other Mediterranean countries seem to have been supplied by an inferior Turkish article, while France excluded British rice altogether except on rare occasions. The other 40,000 barrels were taken to England, but only some 3,000 of them were there consumed. The rest were re-exported, with a drawback of the duty paid, to Holland and North Germany. The questions raised by this transshipment will be considered in dealing with tobacco. It is evident that during the years 1706 to 1730 the demand for rice was somewhat interfered with; but we may so far anticipate our subsequent argument as to venture the assertion

that after that date even complete freedom could hardly have secured a larger European demand than was actually enjoyed.

Naval stores we will postpone till we come to the matter of bounties; and so now we reach tobacco, which was the foundation of the social system of the Southern provinces, and formed one-half of all the colonial exports. From 1660 onwards, all the tobacco of Virginia and Maryland sent to Europe had first to be carried to England. But this did not mean that it stayed there. On re-exportation, sometimes the whole, sometimes very nearly the whole, of the import duty was repaid as a "drawback"; and the proportion of the crop re-exported to other European countries was between two-thirds and four-fifths. Thus the enactment, though obviously designed to put profit into the hands of English merchants acting as middlemen, did not by any means shut the American planter out of the European market; at most, it involved some additional freight charges. Even if so,—though the incidence of freight is as tangled a subject as the incidence of taxation,—I imagine the burden would have been borne to some extent by the continental consumer. But, when we see where the foreign market was to be found, we may well doubt whether any cheaper method of doing business with the European continent would have been likely to grow up, even under conditions of absolute liberty. The Mediterranean was supplied with Turkish tobacco; Spain and Portugal only admitted the tobaccos of their own colonies; and accordingly American tobacco could expect to find a market only in Northern and Central Europe. But, as is remarked in an almost forgotten early work of Lord Brougham, the mother country was constituted by her very situation the natural entrepôt between America and the whole of this area. Brougham's *Inquiry into the Colonial Policy of the European Powers* appeared in 1803; too early for its

criticisms of Adam Smith to secure the attention they deserved. Do not forget that even if American ships could have gone direct to Hamburg, and had been permitted to ship German commodities,—which they were not,—they would have found it hard to secure a return cargo. Woollen cloth, the chief article imported from Europe, they could not have got more cheaply than in England; for English cloth was at this very time flooding the German market just because it was cheaper. From the French ports, it is true, they might have obtained cheaper silks. But, on the whole, we can have little doubt that the differentiation of employments, by which the planters in Virginia, Maryland, and the Carolinas undertook the production of tobacco and rice, and English merchants found a market for them at home and abroad, was advantageous to both parties. The Enumeration probably only hastened the introduction, and somewhat stiffened the outlines, of a method of doing business which would have grown up in any case. As Brougham says, "The restrictive policy . . . only secured, by a superfluous and harmless anxiety, that arrangement which would of itself have taken place, if things had been left to their natural course."

Grant, however, the bare possibility that the interests of the tobacco colonies may have been injured to some trifling extent by the Enumeration, we have now to set against it two weighty considerations: first, that from the year 1660 onwards the growth of tobacco in England was absolutely prohibited. The main motive of this measure was probably fiscal: a duty at the ports was easier to collect than an excise. But the act also put forward as a reason the desirability of leaving the business to the colonies. That this was a secondary motive is no reason for doubting that it was a genuine contributory motive. Writers like Bancroft used to ridicule the notion that the suppression of tobacco-raising in England could be re-

garded as in any degree an offset to the Enumeration. But, had they lived to know of the modern German crop of tobacco, or had they been acquainted with what was actually going on in the seventeenth century in England, they would hardly have spoken so contemptuously. In fact, the cultivation of tobacco was spreading very rapidly during the Protectorate, especially in the west-midland counties; and it was put a stop to only by vigorous measures on the part of the executive. And, moreover, as if it were not enough that the Englishman should be prevented from smoking home-grown tobacco, grave obstacles were put in the way of his smoking Spanish tobacco. Duties were levied upon it three times as high as upon American; so that the latter almost monopolized the English market. The conclusion is not susceptible of exact proof; but surely there is a high degree of probability in the assertion that a proposal to establish freedom all round would not have been welcome to the Virginian planter.

The vitality of an historical grievance when once it is sent forth into the world is illustrated by the circumstance that even the careful investigator from whom I have drawn many of the foregoing facts is still inclined to think that Enumeration contributed, though "but slightly," to the sharp fall in the price of tobacco during the first half of the period before us;\* the main cause being, evidently, as he points out, overproduction. With this let us compare the diametrically opposite opinion expressed in the *Wealth of Nations*:

"Had France and all other European countries been at all times allowed a free trade to Maryland and Virginia, the tobacco of those colonies might by this time have come cheaper than it actually does, not only to all those other countries, but likewise to England. The produce of tobacco, in consequence of a market so much more exten-

\* G. L. Beer, *The Commercial Policy of England towards the American Colonies*, p. 51.



sive than it has hitherto enjoyed," [we have seen that this is exceedingly dubious,] "might, and probably would by this time, have been so much increased as to reduce the profits of a tobacco plantation to their natural level with those of a corn plantation, which it is supposed they are still somewhat above. The price of tobacco might, and probably would by this time, have fallen somewhat lower than it is at present."

The planters had the sense soon to leave off grumbling at the Enumeration. If they had continued to be dissatisfied, it would have been but cold comfort they would have got from Adam Smith.

With the Enumeration of certain exported commodities, we may conveniently consider the limitation put upon the business of importation into the colonies by a statute of 1663, which enacted that all commodities of the growth or manufacture of Europe should be shipped in England and in British bottoms. The avowed intention was to make England the "staple" for the plantations, and so to secure to English merchants the profits of intermediaries. But, if the preceding argument is sound as to England's position as entrepôt for colonial products, it is equally sound with regard to the supply of European wares. Ships unloading in England and getting a return cargo mainly of English commodities would, economically enough, fill up what space remained in their holds with such European commodities as were in demand. The whole of the English import duty on these commodities was returned as a drawback; and, as the duties imposed by the colonial governments themselves were light,\* "many different sorts of foreign goods" — it is Adam Smith who assures us — "might have been bought cheaper in the plantations than in the mother country." So far was the English government from pursuing, in this matter, either its fiscal interest or the immediate advantage of English-

\* The subject of Colonial Tariffs is worked out by W. Hill in this Quarterly, vii. 78 *seq.*



men, that the same great writer actually criticises its policy on the ground that it was likely to be injurious to both. Thus he remarks :

The mother country might frequently suffer, both in her revenue, by giving back a great part of the duties which had been paid upon the importation of such goods, and in her manufactures, by being undersold in the colony market in consequence of the easy terms upon which foreign manufactures could be carried thither by means of these drawbacks.

And he gives a specific example :

The progress of the linen manufacture of Great Britain, it is commonly said, has been a good deal retarded by the drawbacks upon the re-exportation of German linen to the American colonies.

III. The third class of restrictions, those upon *manufactures*, have lent themselves even more easily to rhetorical denunciation, though their effect, I believe, was altogether insignificant. Let us see, first, exactly what they were, and notice the dates in each instance. There were just three cases. In 1699 it was enacted that no wool, yarn, or woollen cloth produced in the English plantations should be "loaden or laid on board in any ship or vessel; or loaden upon any horse, cart, or other carriage, to the intent and purpose to be exported, transported, carried, or conveyed out of the said English plantations to any other of the said plantations, or to any other place whatsoever." \* The object was to prevent all manufacture for a distant market, while not interfering with manufacture within the family, or for purely local needs. In 1732 it was enacted that no hats should be exported to England, Europe, or other colonies; manufacture for sale within each particular colony was again left free, except that it was now placed under the same

\* 10 & 11 W. III., c. 10, § xix. Mr. Weeden (*op. cit.* p. 388), not observing that "to any other place" is conditioned by "out of the plantations," gives a very misleading impression of the purpose of the act. He was probably misled by the loosely-worded account of the act in Adam Smith, Bk. IV. ch. vii.

rules of apprenticeship as English hatters were subject to, under the statute of Elizabeth. Finally, in 1750,—almost at the end of the period,—it was enacted that no steel furnaces or slit mills should be erected in the colony, the country forges which made bolts and nails and common farm implements remaining untouched.

We are not now engaged, I would remind you, in passing judgment on the motives of the framers of these acts, or of the English manufacturers who petitioned for them. Our sole task is to determine what significance, if any, they possess in the economic development of America. Two questions at once occur: to what extent had the industries in question been actually set on foot before the acts? and how far were the acts obeyed? Unfortunately, our evidence is conflicting. The great woollen interest of England, which supplied more than half the exports to the colonies, was easily alarmed. The idea soon gained currency that the way to prevent the colonists from interfering with the vent of English cloth was to turn their attention towards the production of naval stores. Thereupon, all those persons in England and America who anticipated some advantage to themselves if the government would only subsidize the production of naval stores, were tempted to join in the cry of danger. Governors' reports are hardly more trustworthy: they often know but little of their provinces outside the chief towns; and either they wanted to insure the vote of their salaries by keeping on good terms with their assemblies, and were therefore inclined to pooh-pooh English alarms, or they were at feud with their assemblies and saw everything colonial through clouded spectacles. So, as "the historical method" is risky here by itself, let us have recourse to a little "deduction" from the principle of self-interest. There is a celebrated pamphlet, known as *The Canada Pamphlet*, which Benjamin Franklin wrote in 1760, when he wanted to persuade the English public that it

would be better to retain Canada than Guadaloupe among the spoils of war. In this he roundly asserted that hitherto the English manufacturers' monopoly of the colonial market had not been seriously threatened, since

No man who can have a piece of land of his own, sufficient by his labour to subsist his family in plenty, is poor enough to be a manufacturer and work for a master. Hence, while there is land enough in America for our people, there can never be manufactures to any amount or value.

And again :

Pennsylvania is the colony the most suspected of carrying on manufactures, on account of the number of German artisans who are known to have transplanted themselves into that country, though even these, in truth, when they come there, generally apply themselves to agriculture as the surest support and most advantageous employment.

And once more :

The colonies are so little suited for the establishing of manufactures that they are continually losing the few branches they accidentally gain. The working braziers, cutlers, and pewterers, as well as hatters, who have happened to go over from time to time and settle in the colonies, gradually drop the working part of their business, and import their respective goods from England, whence they can have them cheaper and better than they can make them. They continue their shops, indeed, in the same way of dealing ; but become sellers of braziers, cutlery, pewter, hats, etc., brought from England, instead of being makers of those goods.

It will have been noticed that Franklin, like other economic writers, passes unconsciously to and fro between deductive argument and historical statement. He not only argues that the inhabitants of the colonies would follow their self-interest, and therefore pursue agriculture rather than manufactures : he asserts that as a matter of fact that is what they did. As a man of the people and as Agent for Pennsylvania, Franklin must have been acquainted with the facts. A few years later, indeed,

he was writing pamphlets which gave at any rate a different impression; but we can hardly think so meanly of him as to suppose this argument of 1760 an altogether baseless invention.

Adam Smith had probably read or heard about this pamphlet. At any rate, it is exactly in the same strain that he expresses himself. In one place he asserts that

In our North American colonies, where uncultivated land is still to be had upon easy terms, no manufactures for distant sale have ever yet been established in any of their towns. When an artificer has acquired a little more stock than is necessary for carrying on his own business in supplying the neighboring country, he does not, in North America, attempt to establish with it a manufacture for more distant sale, but employs it in the purchase and improvement of uncultivated land. From artificer he becomes planter; and neither the large wages nor the easy subsistence which that country affords to artificers can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence; but that a planter who cultivates his own land and derives his necessary subsistence from the labour of his own family is really a master, and independent of all the world.

The other passage comes to the same conclusion for a different reason. Immediately after the remarks about the "sacred rights of mankind" already quoted, he continues thus: "Unjust, however, as such prohibitions may be they have not hitherto been very hurtful to the colonies." Readers unacquainted with Adam Smith's modes of thought may not suspect that "not very hurtful" is his Scotch, cautious way of saying "not hurtful at all." For he goes on:

Land is still so cheap, and, consequently, labour so dear among them, that they can import from the mother country almost all the more refined or more advanced manufactures cheaper than they could make them for themselves. Though they had not, therefore, been prohibited from establishing such manufactures, yet, in their present state of improvement, a regard to their own interest would probably have prevented them from doing so. . . . Those prohibitions, perhaps,

without cramping their industry or restraining it from any employment to which it would have gone of its own accord, are only impertinent badges of slavery imposed upon them, without any sufficient reason, by the groundless jealousy of the merchants and manufacturers of the mother country.

This is a passage which heightens one's respect for Adam Smith. He is so bent upon crying, "Edward! chains and slavery!" And yet he has the scientific conscience.

When now we come to look into the evidence concerning the particular industries, it is found to harmonize pretty well with the conclusions of Franklin and Smith. In the southern colonies no manufactures were ever attempted, except the production of pig iron: the commonest and cheapest articles of daily use were all imported from the Old Country. It was Pennsylvania, New York, and New England which aroused the jealous fears of English merchants and artisans. The climate of New England is not at all suitable for sheep-breeding, and the transportation of wool from the middle colonies was expensive. Nevertheless, both in New England and in the middle colonies, some attempts were made here and there by small capitalists to play the part of English clothiers. This was in the closing years of the seventeenth century and the opening years of the eighteenth. They soon abandoned the business; not on account of the prohibition, but because the conditions became more favorable for other investments. The colonies evidently had had some difficulty at first in obtaining "returns," to use the language of the period, for the goods they wished to import; and for a time they had, perhaps, to go rather short of the finer fabrics. But in the years of peace which followed the great settlement at Utrecht, in 1715, what with the rapid growth of the ship-building business and of the fisheries, the opening up of a new trade with the West Indies, and the extension of the two allied occupa-

tions of rum-distilling and slave-trading, this difficulty quickly disappeared; and the capitalists of the towns found remunerative opportunities for investment. As to the country weaver, who might conceivably have grown into something like the west of England clothier, Adam Smith's remark that he would be far more likely to put his savings into land is true enough, and very pertinent. Accordingly, the state of affairs in the period 1715-60 was somewhat like this: the farmers' wives and daughters themselves spun the wool which they got from their own few sheep; many farm-houses had their own looms where, if the farmer or his servants were without the necessary skill or time, an itinerant weaver worked up the yarn into cloth; and then the farmer put a bundle of this cloth into his buggy and drove over to a neighboring fulling mill. If he was too poor to own a loom, he took his yarn to a weaver's cottage in the next village. Meanwhile the townspeople were all clad in English manufactures; the merchants and professional men liked them better, and, as all the towns were on the coast, the working classes got English stuffs more cheaply than they could have bought up-country woollens. Probably Emerson's "embattled farmers,"

"Who fired the shot heard round the world,"

were clad in American homespun; but it is more certain that Adams and Otis and Franklin wore English broad-cloth. And so, "in general, the act of Parliament was well obeyed, since it carried no hardship with it in the eighteenth century."\* It is an American economic historian from whom I quote.

The law of 1732 as to hats was the result of the alarm of the London Company of Hatters, who saw in their mind's eye thousands of American hats being shipped to England. There is a paper drawn up by Franklin in

\* Beer, p. 81.

London at the end of 1767, in which he endeavors, as he puts it, to "palliate" certain recent proceedings in Boston which, he confesses, gave him "great concern," by a sympathetic account of what he alleges to be the American frame of mind. He represents the Americans as arguing that "there cannot be a stronger natural right than that of a man's making the best profit he can of the natural produce of his lands"; that "beaver furs are the natural produce of that country"; and "yet the hatters of England have prevailed to obtain an act in their own favor, restraining the manufacture of hats in America." This argument as to the natural right of a people to work up their own produce has been echoed by Bancroft and Mr. Lecky, and it is very telling; but they have taken Franklin too much *au sérieux*. He was careful, we may observe, not to commit himself. The argument is given in oblique oration; and Franklin hedges at the end by the ironical comment, "These are the wild ravings of the half-distracted Americans." I gravely doubt whether, as a matter of fact, the "half-distracted" Americans were "raving" to this effect. The argument is quite inconsistent with what we have already learnt as to the decay of the fur trade in the English colonies. And the truer impression is certainly that which Franklin himself gives in his pamphlet of 1760, before cited, that the hat-making industry had been brought to an end not by the pressure of law, but by economic causes.

It is true [Franklin then said] there have been, ever since the first settlement, a few hatters in New England, drawn thither probably at first by the facility of getting beaver while the woods were but little cleared and there was plenty of those animals. The case is greatly altered now. The beaver skins are not now to be had in New England, but from very remote places and at great prices. The trade is accordingly declining there; so that, far from being able to make hats in any quantity for exportation, they cannot supply their home demand; and it is well known that some thousand dozens are sent thither yearly from London, Bristol, and Liverpool, and sold cheaper than the inhabitants can make them.



Finally, we come to the iron industry. The statute of 1750 enacted that no mill or other engine for rolling or slitting iron, no plating forge to work with a tilt hammer, nor any furnace for making steel, should be erected in the colonies. This, I confess at once, is the one weak point in my argument. There were, perhaps, at this date, some half-dozen slitting mills in New England, and possibly two or three tilt hammers and two or three steel furnaces.\* It cannot be denied that they would probably have enjoyed a certain moderate prosperity, and that they could readily get all the iron they needed from the southern colonies. Moreover, the act did cause them to be shut up. It can only be pleaded that, after all, it was not a large matter; and one might perhaps make something out of the fact that the owner of one of the largest of the slitting mills, so far from never getting over his grudge, was conspicuous a few years later as one of the leaders of the Loyalists.† Yet there is another side to the account, which, if it does not balance it, ought not to be quite forgotten. The same act favored American bar iron and pig iron by removing the duties to which they had hitherto been subject on importation to England, while leaving intact those on Swedish and other foreign iron. This was done for immediate political motives, in the hope of rendering England independent of foreign sources of supply; and also for mercantilist motives, to check the supposed drain of specie. But to the credit of the government it may be remarked that the concession was granted in the teeth of much opposition from English iron-masters and owners of woodlands, and even from farmers. The consequence of the removal of the duties was that in four years the quantity of colonial pig iron imported into England increased by one-half; and that it began, for the first time, to be profitable to carry over bar iron. But, unfortunately, while it was New

\* Weeden, ii. 622.

† Ibid., ii. 490.



England which chiefly suffered from the new restriction, it was Virginia and Maryland which profited by the new favor.

With the exception still to be dealt with, we have now come to the end of all the possible grievances; and we have seen how slender are the grounds for supposing that the measures in question did, to any notable extent, inflict real injury on the American colonies. But, as we have already seen in the case of iron, the action of the English government was not always of a restrictive character: it sometimes took the form of encouragement; and these two elements in English policy cannot be separated. Because it restricted, it felt bound to encourage; because it encouraged, it felt the more justified in restricting. This is strikingly illustrated by the efforts to promote the production of "naval stores," — of tar and pitch, of masts and hemp. These were enumerated in 1706; and, if the restriction had stood by itself, the colonies might conceivably, though this is very doubtful, have lost some small foreign sale for their masts. The other enumerated stores were not produced at that time in America of sufficiently good quality to attract a foreign demand. But in 1705 the English government definitely adopted the policy of offering a considerable bounty on the importation into England of all of these stores from the colonies; and, with but slight interruption, this policy was followed down to the end of the colonial period. One estimate makes the amount thus paid more than a million and a half pounds. Of course, the purpose of the government was not primarily the welfare of the colonies. It desired: (1) to make the British empire independent of foreign sources of supply for what were really munitions of war; (2) to circumvent the Stockholm Tar Company, which had obtained a monopoly of Baltic pitch and tar, had put up prices, and had excluded English ships from the trade;

(3) to prevent a supposed drain of specie from England; and (4) to enable the colonies to provide themselves with "returns," so that they should not be tempted to manufacture for themselves. But, after all, it did honestly and with reason believe that the industries in question were suited to America. It did take a world of trouble about investigating the whole subject, and about teaching the colonials better methods of preparing their tar,—how much trouble the recent monograph of Miss Lord of Bryn Mawr College, based upon unprinted English state papers,\* has recently made clear to us,—and, finally, it did meet with a fair measure of success. The bounties on hemp and on masts had little effect, but the production of pitch and tar thrived exceedingly. In 1704 nearly 43,000 barrels of pitch and tar were imported into England from Sweden, something like 18,000 from the rest of Europe, and only 872 from the plantations. In 1718 the Swedish product was dispensed with, the supply from the rest of Europe had fallen to 10,000, that from the plantations had risen to 82,000 barrels. After that the increase was slower, but it did not cease. In 1770 the figures were, for pitch and tar, 103,000, together with 41,000 barrels of turpentine. The colonies which profited the most were the Carolinas, with their great pine forests. The industry was thoroughly suited to the physical conditions of the country; but it could not have maintained itself without some such assistance against the competition of Sweden; as was at once apparent when the bounties were temporarily withdrawn. Adam Smith remarks that the joint effect of the enumeration and of the bounties was to "encourage the clearing of land" in America, which he regarded as the great prerequisite to improvement. How far this may be true I should not like to say; but I may perhaps observe that, besides its effect on the Carolinas, the bounty policy must indirectly have

\*E. L. Lord, *Industrial Experiments in the British Colonies of North America*, Johns Hopkins Studies, extra volume xvii., 1898.

benefited New England. Cheap tar must have contributed to the prosperity of ship-building and the commerce dependent upon it. I hasten to add, lest my orthodoxy should be suspected, that no general economic argument on behalf of bounties can be drawn from this experiment, since it was America that benefited and England that paid the price.

I have postponed to the end the one great exception, the one act which was altogether and unmistakably ill-advised, the one act which, had it been enforced, would have hampered American trade, or rather would have thrown it into complete confusion. This was the "Molasses Act" of 1733. By this act duties were imposed on the importation of sugar, molasses, and rum from foreign plantations—*i.e.*, from the foreign, and especially the French, West Indies—into any of the British colonies; duties high enough to be, and intended to be, prohibitory. But the act was easily evaded with the connivance of the customs officers, and no serious attempt was made to enforce it throughout our period.\* When a little later it did become a practical grievance, it was as part of a quite new policy, which aimed, primarily, not at controlling trade, but at securing revenue.

The statement that the enforcement of the Molasses Act would have been disastrous calls for some explanation. New England, as we have seen, imported very largely fine manufactured goods from England. For these it had little of its own to send in exchange, but it could get molasses very cheaply from the French West Indies,—more cheaply than from the English, because the French islands could produce sugar at a lower cost; and, as they were prohibited from importing rum into France,

\* Beer, pp. 131, 137, 138. Some of the legal difficulties placed in the way of the collectors of the ports by the local judicial authorities when an attempt was made to check smuggling may be seen in the New York case of the sloop "Mary and Margaret" in 1739. O'Callaghan, *Documents relative . . . to New York*, vi. 154; reprinted in Hart, *Am. Hist. told by Contemporaries*, ii. 249.

they had their molasses left on their hands. As a pamphleteer naïvely puts it, "Melasses was of little or no value to the French planter, because rum was detrimental to France, as interfering with the consumption of their brandy."\* The molasses were converted into rum in the "still-houses," which sprang up from 1720 onwards in great numbers in New England.† The most thriving centre was Newport in Rhode Island, which had 22 distilleries. The rum was consumed in large quantities by the people of the New England States, especially by those engaged in the fisheries, to mitigate the hardships of their life; it was freely employed in barter with the Indians; but the larger part of the demand for it arose in connection with the slave trade. For thirty years Rhode Island sent some 18 vessels annually to the slave coast, carrying 1,800 hogsheads of rum; and Massachusetts was not far behind. The "rum-men,"‡ as the New England slavers were called, found that "a prime man slave" could be bought for about 110 gallons. An employer at home, in one case at least, instructed them: "Water your rum as much as possible, and sell as much by the short measure as you can."§ The West Indies and, increasingly as the century went on, Virginia and Maryland readily bought the black cargoes, and paid either in specie or in bills drawn upon tobacco exported to England. With these New England could pay its debts to the English manufacturer, and so "the circle of commerce" was complete. With justice did the Americans complain that to enforce the Molasses Act would cut the ground from beneath their feet. As it was not enforced, any further observations are perhaps superfluous. Yet observe that this one act, which, if enforced, would have had an effect on the course of affairs, was not passed to satisfy the clamors of any protected English interest, and cannot even be construed as a corollary of the mercantile theory

\* Anderson, iii. 178.    † Weeden, 459.    ‡ Ibid., 462.    § Ibid., 465.

of the balance of trade. It was passed for the sole benefit of other American colonies, though these were insular and not continental. By the strange irony of history, it was passed, we learn at last, mainly "at the instance of a Boston merchant who was interested in sugar-growing in the British West Indies." \*

Our survey of English commercial legislation and of its probable effect, or, rather, absence of effect, upon the American colonies, is now complete. But a moment's reflection will show that the larger question of the effect upon the economic development of the colonies of their connection with the mother country cannot be answered from a consideration of the legislation alone. There were other large forces at work, outside and independent of all legislation. I can only touch on one of them. In his celebrated speech on American taxation, delivered in 1774, Edmund Burke, after noticing that the Americans had tolerated the system of commercial restraint, proceeds to give this explanation:

They were indemnified for it by a pecuniary compensation. Their monopolist happened to be one of the richest men in the world. By his immense capital (primarily employed not for their benefit, but his own) they were enabled to proceed with their fisheries, their agriculture, their ship-building (and their trade, too, within the limits), in such a manner as got far the start of the slow, languid operations of unassisted nature. This capital was a hot-bed to them. Nothing in the history of mankind is like their progress.

Evidence of English capital in American business meets us, indeed, at every turn. Thus an estimate of the year 1731 places the value of "the tobacco ships alone" at £240,000, "the greater part thereof, by far, being English-built, continually and constantly refitted and repaired in England." On this point Adam Smith agrees with Burke. In that Book III. of his treatise which is

\* E. Channing, *Student's History of the United States*, p. 155.

so little read, he remarks that "the progress of our North American and West Indian colonies would have been much less rapid, had no capital but what belonged to themselves been employed in exporting their surplus produce." And, when we turn to his set argument against the colonial system, we find that his main position is not that it was bad for the colonies, but that it was bad for England, in that it sent into the direction of the colonial trade an undue proportion of her capital. This may or may not be true; but that it did attract a great deal of English capital can hardly be doubted. And, although the case is somewhat different to-day, as American railways and Argentina sufficiently demonstrate, undoubtedly in the eighteenth century capital to a very large extent followed the flag.

The English commercial legislation, I conclude, did the colonies no harm prior to 1760; and the English connection did them much good. Under these circumstances, it is no wonder the Americans were neither indignant nor restive. I know of no evidence, during the century under review, for Bancroft's "rankling hostility" or for Mr. Lecky's "political alienation" as "the inevitable consequence." Individuals here and there felt themselves hampered in their operations, and were naturally annoyed; but there is absolutely no evidence of any wide-spread irritation. When one reads Mr. Lecky, one thinks of a movement of popular thought comparable to the opposition to Laud's ecclesiastical policy or to the agitation which led to the great Reform Bill. But, when one comes to look into the American sources, one has to search very minutely indeed to find any reference to the restriction at all. The lawlessness produced by the half-smuggling molasses business did, in a sense, contribute to the Revolution, but it was a very minor element among many others: to be put by the side of the irritation of the New

Hampshire backwoodsmen at the attempts to enforce the claims of the crown to masts for the navy; to be put much below in importance the alarm which New England Puritanism felt before the anticipated inroads of the English Church. So far as I can see, the trade grievance was first formulated by Franklin. But the pamphlet in which he did so, that of 1767, already quoted, was hardly expected to be taken seriously; and even there the economic grievance was put on a level with grievances of another kind.\* It was not till some years after the conflict had begun, when imagination was already playing tricks with memory, that the commercial restrictions were put in the foreground and represented as positively oppressive.†

The final assertion of Mr. Lecky that "the commercial restrictions made it to the interest of the Americans to dispense with English protection," you will have already gathered, is quite unsupported by evidence. A careful historian, Professor Coit Tyler, of Cornell, has recently said in print what has long been known, that "probably a vast majority of those who stood for the commercial interests and for the capital of the country" were opposed to the Revolution.‡ After the war was over, the economic condition of the country remained almost stagnant, if it did not retrograde: no more trade sprung up

\* Even after all the friction of the years 1760-67, the London agent for Massachusetts, in a memorial to the English government concerning the commercial grievances, regards them as inferior in importance to the restraint which had been recently imposed upon the fisheries. "But the grand matter of Complaint is the Restraint laid on their Fishery, no American being suffered to take Cod in the Straits of Belisle, or on Labrador shore, and thereby rendering our new watery acquisitions entirely useless. . . . Your Memorialist takes the liberty to lay before your Lordship a few sentiments relating to the Fishery," etc. Printed in Hart, *American History told by Contemporaries*, ii. 415.

† Mr. Goldwin Smith has already remarked (*The United States*, p. 80) that the commercial and industrial grievances "are not put forward as a ground of revolt in the Declaration of Independence"; but he has not drawn the obvious inference.

‡ *Literary History of the American Revolution*, i. 58.



than before between the several States; no more manufactures were set on foot. Economically, the colonial period ends not with 1776 or 1789, but with the embargo of 1808, which brought entirely new forces into operation.

Holding as I do a professorship in an American university, it may perhaps have seemed somewhat ungracious on my part to destroy what is often regarded as part of the American case for the Revolution; but I am in excellent American company. The last ten years have seen the establishment of the first really critical school of American historians; and the outspokenness with which they have assailed some wide-spread historical superstitions does honor to their impartiality. In this particular matter the first distinct note of dissatisfaction with the current opinion was, I believe, struck in 1888 by that very competent Massachusetts antiquary, Judge Mellen Chamberlain. He has been followed by many of these younger scholars who are now being put in charge of departments of American history at the larger universities. It is very significant that in his *Student's History of the United States*, which seems likely to become a widely used text-book in the best high schools of the country, Professor Channing does not hesitate to lay down that "it is impossible to say that the system was to the disadvantage of the colonists." The work of such men evidently tends to promote a kindlier feeling between America and England; for, while they leave untouched the great principle of No Taxation without Representation, they remove the notion which has naturally created soreness, that for a century England was inflicting an actual injury upon the American colonies. It may be that the objects of the legislation must still be regarded as preponderatingly selfish, though as to that some qualification and charitable explanation will probably be necessary: it is a great thing to realize that no



harm was done. I have but summarized some of this recent historical work and arranged in order the conclusions to which it points; and for this reason. In the utterances of Englishmen concerning America, I do not know which has done more harm,—an ignorant contempt, unjust to America, or an ignorant sympathy, unjust to England. The latter is now, perhaps, the more common. Yet I cannot but hope that the efforts of American scholars to spread among their own people more accurate views of their past will not be impeded much longer by extravagant assertions on the part of Englishmen.

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## PRODUCTIVE CO-OPERATION IN FRANCE.\*

### I.

#### *Origin of Productive Co-operation in France.*

IN all accounts of co-operation it is repeatedly asserted that England is primarily the land of consumer's co-operation, Germany of credit co-operation, and France of productive co-operation. This observation has become almost a commonplace, a truism; and, at least so far as it relates to the first two forms of co-operation, it has never been gainsaid. Yet some question has been raised concerning the third form of co-operation; and, in truth, if statistics are trustworthy, it does not appear that associations of co-operative producers are either more numerous or more influential in France than they are in the other two countries. On the contrary, by a singular coincidence, the number of societies statistically reported appears to be nearly the same—from 170 to 180—in each of the three countries. And, in amount of sales and of capital, English productive associations exceed somewhat the French. Moreover, even within France itself, associations of producers do not constitute the most important form of co-operation. Co-operative stores are far more numerous,—numbering more than 1,500,—while they represent a trade movement infinitely more considerable and a membership one hundred times greater.†

These figures to the contrary notwithstanding, I believe the common saying that France is the birthplace of productive co-operation is well founded. First, because that form of co-operation is the only form which has developed

\* Translated by Dr. John Cummings.

† Membership of the productive associations does not exceed eight or ten thousand, while that of the stores is at least six hundred thousand.

spontaneously within France. Other forms have been introduced from foreign countries. It was in France that this form of co-operation sprang up as the final solution of the social problem, as the breaking of a new era in which a régime of free labor should succeed the wage system, even as the wage system itself had succeeded a régime of serfdom and slavery. It was in France that productive co-operation in 1848 enrolled its legions of pioneers among the workingmen, whose story, if it is less celebrated than that of the Rochdale pioneers, does not relate less heroism. It must not be forgotten, too, that it was the form of productive co-operation indigenous in France which gave rise to a new gospel, and appeared as the star of the king's *magi* to such noble spirits as John Stuart Mill and the Christian socialists of England. Finally, it is in France that productive co-operation has worked itself out in several of the most perfect and most justly celebrated enterprises in the world, such as the *Familistère de Guise*, the *Maison Leclaire*, and in certain respects even the *Magasin du Bon Marché*.

It is, indeed, true that many of the earlier illusions have vanished. In France, as elsewhere, faith in the institution of self-governing workshops, as a means of the world's regeneration, has been severely shaken. Nevertheless, as we shall see, there are still small groups of the faithful who piously keep their faith intact, while others seek to regenerate and infuse new life into societies for productive co-operation, either through association with the trade-unionist movement or through inspiration found in the doctrines of the old French socialists, more especially of Fourier.

In this paper I have to do solely with the present state of productive co-operation in France. I shall find it necessary, however, to trace very summarily the history of the movement so far as it relates to facts less generally known.

The first society for co-operative production, that of the jewellers (*bijoutiers en doré*), as is well known, was formed in France in 1833, ten years before the Rochdale pioneers organized. This first establishment, however, was in the nature of an isolated and artificial experiment. It was the work of an odd character, a man named Buchez, whose notions seemed singularly involved with the doctrines at once of Saint-Simon and of the Roman Catholic Church, and who gave to this first association the form and character of a sort of lay monastery. Nevertheless, his essential idea — *i.e.*, to forego any division of profits among members, and devote profits in a lump sum to the creation of an inalienable and perpetual social capital — deserves to outlive him; and it reappears again in somewhat altered form in those socialistic organizations which profess the complete sacrifice of individual interests in behalf of the social welfare.

The Revolution of 1848 alone really signalizes the rise of the co-operative movement in France. At that moment there came a veritable outburst of co-operative activity in the formation of over two hundred societies for co-operative production, organized almost simultaneously, more especially in and about Paris, but in the large provincial cities as well, all with a single programme, inspired by the philosophical precepts of Pierre Leroux and the ardent harangues of Louis Blanc,\*—abolition of the wages system. Productive co-operation thus originated in the same hour with the institution of universal suffrage (universal

\*The part taken by Louis Blanc in the co-operative movement of 1848 is not commonly borne in mind. He was not content with delivering addresses, but himself organized a number of societies for co-operative production, notably that of the tailors, which, to be sure, survived but a short time. He, however, did not believe it possible to effect a social regeneration through the exclusive agency of free associations; and he believed in the necessity of government aid. His ideas on this point were not very different from those which were preached later by Lassalle.

On the other hand, the disastrous organization of the National Workshops, against which Louis Blanc always protested, is, nevertheless, always attributed to him.

suffrage in France, as is well known, dates also from 1848) as its natural complement. One realized in the régime of economy that which the other realized in the régime of government; namely, the emancipation of the people. And the sovereignty of the people manifested itself at one and the same time in the forum and in the workshop.

The brief duration of this grand movement is also a matter of common report. It was a veritable display of social pyrotechnics. As early as 1852 the greater number of these associations had ceased to exist,—not all, however; for, as one is sufficiently often informed, there still survive to-day four which date from this epoch, and which have consequently celebrated their fiftieth anniversary.\* This notorious failure has contributed not a little to the discredit of productive co-operation in France and throughout the world. In justice, however, it is to be noted that the causes of failure were rather political than economic. It was Napoleon's *coup d'état* and the opening of the imperial régime, which, through suppression of the right of association, and even of reunion, gave the death-blow to all labor organizations, especially those of socialistic leanings. The single conclusion to which one is driven on scientific analysis of the movement is, therefore, that the experiment failed from a purely adventitious cause, and that one is not warranted in prejudging what might have been the outcome under normal conditions.

Finally, as is generally known, the government of Napoleon III.—who had at the outset come forward as a Hercules destined to beat down the hydra of socialism, a pretence which was the chief cause of his success with the frightened *bourgeoisie*—had recourse later to the blandishments of a policy of popular Cæsarism. It

\* An association of file-makers, one of spectacle-makers, one of piano-builders, and one other in the country.

sought to ingratiate itself with the working classes and to show itself well disposed toward labor organizations. The new policy was the occasion of a new co-operative movement, far less splendid than the earlier movement, but not less interesting, and one which may be commended to investigators as a movement which has as yet been very little studied. It occurred during the years 1863-66.

The movement was interesting, first of all, because it sought to base productive co-operation upon credit co-operation, or at least upon institutions of credit which should make the necessary advances of capital. It was interesting, also, because it developed for the first time diversity of opinion regarding the end of co-operation. Those tendencies manifested themselves, each one in connection with its own institution of credit: official state co-operation, working through the *Banque des Associations Co-opératives*, a complete failure; socialistic co-operation, working through the *Crédit au Travail*, the co-operation of 1848,—that is to say, co-operation looking to the abolition of the wages system; and co-operation which may be styled *bourgeois*, since it aimed at the saving and acquisition of property, working through the *Caisse d'Escompte des Associations Populaires*. This last was under the particular direction of two young economists whose names have since become, for different reasons, widely known,—Léon Say and Léon Walras. Their discussions in the journals of the time are very instructive, especially when one adds to them the accounts presented in sittings of the Paris *Société d'Économie Politique*, and an article in the *Journal des Économistes*, where, even at this time, the co-operative movement received rather condemning consideration, the three forms, even the last, being generally condemned.\*

\* See the *Journal des Économistes* for that period, and, on the other side, *L'Association*.

This second movement, however, was in the end abruptly terminated by the war of 1870, the bloody insurrection of the Commune, and the general dispersion of socialists which followed. Clearly, co-operative ventures have had no fair trial in France!

Once more, painfully and laboriously, as a spider whose web has been swept away recommences his spinning, surviving co-operators have again set about their work during the last fifteen years, reorganizing several societies for productive co-operation, and even uniting them into a sort of federation under the name of the *Chambre Consultative des Associations Ouvrières* (1884). And this new movement, in the beginning a slow one,\* has tended to quicken during the last few years. During the last two years the increase in the number of societies has amounted to thirty for each year, and I should not be surprised if the Congress of Societies for Co-operative Production to meet at the Paris Exposition in 1900 should reveal the existence of three hundred societies of this sort.

The causes of this awakening are not easily indicated. I think, however,—aside from the persistence of the old French socialist faith in the emancipation of the laborer through voluntary co-operation, a very different sort of faith from that of the collectivists,—that certain particular causes may be cited which we shall take up for immediate consideration: first, the success of some notable societies and the contagion of example; then also material and unforeseen assistance in the form of allowances granted by the state or by private individuals.

\* Of 113 societies forming the federation, but 12 existed prior to 1884.

## II.

*Specific Character of French Productive Co-operation.*

French societies for co-operative production present great diversity of character, as do societies in England and elsewhere. This differentiation is in the nature of associations for production themselves. One may say even that there are no two alike; while associations of consumers, on the contrary, are pretty nearly all of them constituted after one model. Nevertheless, diverse as they are, the societies of producers may be grouped as belonging to one or another of a few definite types. Several classifications have been suggested. That which we give differs but little from others which have been offered.\*

Our classification recognizes the following types: self-supporting, corporate, semi-patronal, and a new form of association called by its originators *association intégrale*. To complete the classification, a fifth type of productive co-operation must be added; namely, agricultural. This latter form is very interesting, and has, perhaps, a greater future before it than any of the others. With it, however, we shall not in this study have to do, except incidentally; for it does not fall at all within the category of labor organizations. It is an association of landed proprietors, generally of wealthy, or at least well-to-do, proprietors.†

1. *Self-supporting Workshops.*‡— This form of co-operation, the co-operative republic, is the fundamental type, at least for France. It is the co-operation of the pioneers of 1848, the form adopted by Hughes, Kingsley, and

\* See, for productive co-operation in France, M. Fontaine's classification in *Les Associations Ouvrières* cited above; and for English societies Miss Beatrice Potter's classification in *The Co-operative Movement*.

† For further details concerning these associations, see *L'Association de production agricole*, by Count de Rocquigny.

‡ The author's translation for *association autonome*.—TRANSLATOR.



other Christian socialists for introduction into England. The differentiating character of this form is that all members of the association must be at the same time shareholders and workmen; or, in other words, that all the capital must be furnished by laborers employed by the association. When, therefore, one finds an association with shareholders who are not workmen, or, if workmen, employed outside the social workshop, or, on the other hand, an association employing workmen who are not shareholders nor able to become such, one may be sure that such an association does not fall within the category of self-supporting workshops. The type is corrupted in either case. It must be admitted withal that the pure type is seldom realized. It often happens that there are associates who do not work within the common shop, and still more frequently that laborers are employed within the shop who are not members. The employment of such men is an almost unavoidable necessity in all industries where production varies with the seasons. It is necessary to have, alongside those permanently associated, auxiliary workmen hired during the busy season and discharged in the dull season.

Nevertheless, those societies which affect to be of the self-supporting category, even when they deviate from the pure type in practice, endeavor to realize it so far as they are able to do so. For example, they make it a rule that members who cease work in the society shop (unless it be for want of employment or on account of age or infirmity) shall lose their memberships and be reimbursed for the amounts of their shares; and it is agreed, on the other hand, that all workmen employed temporarily as auxiliaries shall participate in the profits,—which brings a sort of quasi-membership,—or even become themselves shareholders through the capitalization to their credit of part of the profits, constituting precisely that form of association which the English call *copartnership*.

Associations of this type, more or less modified, are fairly numerous; and it is in such associations that one finds enrolled the most sanguine co-operators. Unfortunately, it is not the most prosperous form of co-operation. The societies are generally small, and organized within the small industries. And those which have prospered, it must be confessed, are precisely those which have sacrificed, deliberately and even cynically, the essential principle of a co-operative republic; that is to say, they are those which have refused to admit indefinitely into their midst new members as associates, because the old members have no longer wished to share profits with workmen of the eleventh hour. These societies, from the day that they have seen prosperity advancing, have become virtually close corporations, and have henceforth employed, according to their needs, only workmen whom they have left in the condition of simple wage-earners, without even allowing them participation in the profits. In some instances even the original membership has decreased, owing to the care taken not to replace those who have died or retired. So that the original type of a co-operative republic has become, through monstrous perversion of it, an oligarchy, wherein a small group of associates govern the body of wage-earners. The most characteristic example, and the one oftenest cited, of this perversion of productive co-operation is that of the spectacle-makers' society (*l'association des lunetiers*) in Paris. This society to-day comprises about fifty members who have become wealthy, about an equal number of associate candidates for membership, known as *adhérents*, and twelve hundred hired workmen.\* Under the circumstances it is clear that there is nothing of co-operation here more than the name. It is simply an association of small employers.

\*The proportion of associates to hired workmen was even more scandalous a few years since. The number has, however, been a little increased to give a semblance of the co-operation professed.

It was for the purpose of avoiding similar abuses that a deputy proposed, in a bill brought before Parliament,\* to impose upon all associations for co-operative production the obligation of dividing at least 50 per cent. of their profits among all workmen employed. Such obligatory participation would be somewhat excessive, and might even create serious constitutional difficulties for certain co-operative societies;† but this is not the place for discussing that point, and I have adverted to it only as significant of the gravity of the regrettable tendency which has provoked the proposition.

2. *Corporate Association*.—The tendency here is less individualistic and rather towards collectivism. The association is conceived and organized not in the interests of members solely, but in the interests of all workmen belonging to the same trade, or at least to the same trade-union or federation of unions. Practically, however, as it is impossible to give employment to all the workmen of a given trade or even of a union, the association, in default of a sufficient amount of work, employs at any one time only a small number, according to their needs (the proportion is not above one-tenth in associations of this order‡). The society endeavors, however, to employ its members successively by turn, following the order of application. The original intention was gradually through successful competition to supplant all employers within a particular industry; and, as fast as they should be eliminated, the

\* The history of this bill, destined to regulate all forms of co-operation, is instructive and diverting. Proposed some twelve years ago, and having been already the subject of five or six discussions before the Chamber of Deputies and the Senate, and even voted twice in the Chamber of Deputies, it is not yet disposed of, and probably will never be even brought to a final vote, because of the furious opposition which the merchants have brought against it. Neither the government nor the members of Parliament dare to support the bill for fear of offending the merchants, whose influence at elections is considerable.

† Especially if applied to societies of consumers.

‡ This group of societies comprises about 3,600 members, and the average number working in the shops is not above 400.

workmen were to coalesce until the forces of the association should finally reunite all the workmen within a single trade. This was a close approximation to the program of Louis Blanc.

In fact, the societies have fallen far short of realizing this magnificent program. They have not spread to any considerable extent, and the competition which they have set up with private enterprises has not been very formidable. They have run up against numerous difficulties, of which the most serious is the antagonism which has sprung up spontaneously between the unions and the co-operative societies created by the unions, from the very day these societies have felt themselves strong enough to walk alone. It was antagonism of this sort which arose in the association called *La mine aux mineurs* of Monthieux, near Lyons, and brought about its dissolution. It made its appearance also in the society of upholsterers in Paris. However, although this latter society broke with the union, it remained co-operative in the sense that it remained open to all workmen of the trade. A tablet placed in the hall bore the names of those desiring work inscribed in the order of their priority. No one might work for a longer period than fifteen days, unless there was no one ready to take his place, in which case he might prolong his stay. It will be seen that under the conditions these associations for productive co-operation served rather as workshops for the unemployed. It may be added, further, that associations of this order have been organized, the greater number of them, in connection with strikes.

The most perfect realization of this form of co-operation is the society of carriage-makers (*ouvriers fabricants de voitures*) in Paris. It was established by a federation of five unions, representing the several trades exercised in the manufacture of carriages (wheelwrights, painters, locksmiths, glass-workers, and the like). The unions advanced all the capital, and consequently took all the

profits. Members of the co-operative society had therefore no share in the profits as co-operators, although, as members of one or another of the five unions, they might derive certain indirect advantages.

It is easily seen that this last form gets us far away from the co-operative program, bringing us nearer to the collectivist program, since individual profit is almost entirely eliminated. The workman no longer works for himself, but for the union or federation of unions. One step further,—the creation of an association of producers, comprising not one union alone nor a federation of unions, but the entire wage-earning class,—will suffice to institute the collectivist régime.

The socialists, moreover, have essayed to take this final stride in an enterprise which made a great deal of noise and one which deserves mention here. I refer to the organization of glass-workers (*La Verrerie Ouvrière*) of Albi.

Some four or five years ago the glass-workers in a small village in the south of France, Carmaux, went out on a strike, which lasted long, and provoked an active movement of sympathy in the socialist world. Socialist leaders, among others MM. Jaurès and Millerand, aided the strikers with their eloquence; and pecuniary support also came in in the form of contributions. One old lady, Mlle. Dembourg, through M. Rochefort as intermediary, gave 100,000 francs. Finding themselves in possession of considerable capital, the workmen became ambitious, and dreamed of definitely cutting loose from their old employers, and of organizing themselves into a co-operative society. Moreover, they had a very encouraging example of such an organization in the co-operative society of the glass-workers of *Rive de Giers* (near Lyons), which, organized on the corporate type of co-operation, had operated with fair success. The strikers, accordingly, wished to organize themselves also after this model, and to institute

*La Verrerie aux Verriers* (the glass-works for the glass-workers' association). But the socialists protested. They declared that they had not supported the glass-workers against their employers for the purpose of enabling the wage-earners to transform themselves into small capitalists. The socialists would furnish the necessary capital for the establishment of a new plant, but on condition that the work should remain a work of the proletariat entirely, and on the further condition that instead of the name *La Verrerie aux Verriers*, it should bear the significant title *La Verrerie Ouvrière*.

Notwithstanding the dissent of a certain number of socialists, this was done. As for the glass-workers themselves, inasmuch as they had contributed no money and were unable to contribute any to the enterprise, they were obliged to yield to the wishes of others. An immense issue of tickets followed, at 25 centimes each, after the manner of a lottery, and they were expected to net 500,000 francs. Not all of this sum was collected, but the greater part of it was subscribed by trade-unions and co-operative societies (associations both of producers and of consumers). Individuals who purchased tickets must hand them over to some labor organization; for such organizations alone were entitled to hold shares, to the exclusion of all individual shareholders. Naturally, too, these organizations must govern the glass-works and receive the profits. It was even stipulated in the regulations that the earnings so apportioned should not be expended by any shareholding organization in its own interests, but solely "in some work of social interest" to be finally determined upon by the administrative council. The question what disposition to make of these earnings has in fact never yet been raised, as, up to the present day, no profits have been earned. And what of the employees in these glass-works, have they no voice in the management of the enterprise nor any share in the gains?

The right was conceded to them of filling one-third the places in the administrative council; and they were to receive 40 per cent. of the profits, on the express condition that this 40 per cent. should not be apportioned out to the workmen individually, but should be turned into a general reserve and insurance fund.

Such was the nature of this novel enterprise, which, as we have already observed, ought to be considered rather as an experiment in collectivism than as an experiment in co-operation. However, we have been led to speak of it in this connection as a sort of variation of the corporate organization of co-operative association. One might surmise on general principles that such a hybrid monster could not survive; and, in fact, for several years the glass-workers (who transferred their plant from Carmaux to the larger neighboring town of Albi, for reasons which need not be recounted here) were on the verge of bankruptcy. The association, however, succeeded in surmounting these difficulties, thanks, primarily, to the energy and the devotion of the workmen who had taken the initiative in the enterprise, and who, rather than renounce it, consented to drag through long months, receiving almost no wages at all and living in the blackest misery; thanks, in the second place, to the support of certain co-operative distributive societies, which engaged to purchase bottles \* of the co-operative producers, giving them preference over individual manufacturers, not only where wares were offered at the same prices, but even where they must pay the co-operators 20 per cent. more than other manufacturers charged; and, finally, thanks to pressure brought to bear upon wine-shop keepers in certain towns by the workingmen in their capacity as consumers, who insisted upon being served in bottles bearing the mark of *La Verrerie Ouvrière*.

During the month of September, 1899, *La Verrerie* cele-

\* *La Verrerie Ouvrière* makes a specialty of the manufacture of common bottles.

brates its third anniversary; and it has prepared a grand fête for that occasion, to which the representatives of socialism from all over the world have been already invited. Certainly, in the success of the enterprise they will have a fine example of the solidarity of labor to celebrate; and they may be enabled to bring about, in some new way, an understanding between socialists and co-operators.

8. *Semi-patronal Associations*.—I have given this name to societies which owe their origin to the initiative of some philanthropic employer, who, beginning with the introduction into his factory of profit-sharing, has gradually transformed this profit-sharing into a copartnership, and has finally himself retired, transferring the ownership of his factory to his employees, under such regulations as he has himself drawn up. Such is the usual course of events.

Thus, on the decease of the patron or his retirement, the enterprise is naturally transformed from a constitutional monarchy into a co-operative commonwealth. Generally, however, it preserves certain traits of its primitive form in the power and peculiar functions of the manager. Generally, the manager or managers (for there may be several), although elective, are elected for life, and cannot be deposed; and he or they receive as remuneration a considerable share of the profits (25 per cent. in the *Familistère de Guise*, and in the *Maison Leclaire* also).

To this type of association belong the most famous and, judged by the amount of business done, the most important of co-operative enterprises, more particularly the two above mentioned, which are known the world over.\* One may add to these the paper manufactory of

\* In July, 1890, near Edwardsville, Illinois, a settlement was established which was given the name of Leclaire in honor of the French house of that name. The settlement was started by Mr. N. O. Nelson, head of a manufactory of brassware and hardware in St. Louis, Missouri. Mr. Nelson introduced profit-sharing into his own establishment; and, in building up this branch establishment in Illinois, he wished to consecrate it to the memory of Leclaire.



Laroche-Joubert in Angoulême, the most important paper manufactory in France. This establishment, however, since its founder is still actively associated with it, is in the transition period indicated above. Only on the retirement of M. Laroche-Joubert, Jr., will the association take its final form as a co-operative association altogether in the hands of the workmen.\* One might add to this list the still more famous *Magasins du Bon Marché* of Paris, which transact business to the amount of 180,000,000 of francs annually, and which were established by M. and Mme. Boucicaut in the manner described above. However, inasmuch as all profits are apportioned on capital shares, and not among laborers in proportion to work done, the enterprise appears to be rather of the capitalistic order.

There is in this form of association an incontestable superiority, at least from the point of view of success attained in enterprises undertaken,—a superiority which is very easily accounted for, since all the difficulties which ordinarily embarrass productive associations at the start, such as insufficiency of capital, mismanagement, and difficulty in procuring customers, are here done away with in the preparatory stage, while the enterprise is still under the management of the patron, so that the association comes by natural accession into a situation ready prepared for it,—a situation in which it has only to conform to regulations already established, and has only to run on, so to speak, by virtue of its own inertia.

It may be observed in this connection, however, that those of little faith in co-operative associations, notably economists of the individualist school, have all of them

\* The scope of this study does not permit me to describe co-operative associations one by one, but only to indicate general and specific characteristics. For the rest, monographs descriptive of the *Familière de Guise* and of the *Maison Leclaire* are numerous.

I will only note further that Godin was a very ardent disciple of Fourier, and that in founding his *Familière* he has sought to incorporate certain characteristics of the Phalanstery.

prophesied that these establishments would not outlive their founders. Yet the event has given the lie to their pessimistic predictions. It is twenty-nine years since Leclaire died, eleven since the death of Godin, ten since that of Madame Boucicaut; and their establishments are to-day not only operating, but are more prosperous than they were during the lives of their founders. One is therefore driven to the conclusion that, if labor organizations and co-operative commonwealths are generally insufficient for the successful establishment of great enterprises, they are nevertheless capable of continuing and developing such enterprises.

Establishment through the initiatory patronage of a philanthropically disposed employer would appear, therefore, to be, as regards societies for productive co-operation, a most efficacious mode of generation. Unfortunately, it is to be feared that the number of employers who are wealthy, generous, and desirous of preparing the way for their own abdication, is limited in every country, and particularly so in France, where the law does not give full freedom of testamentation, and thus renders legal conveyance almost impossible for those industrial leaders who leave behind them a family of children.

4. *Association Intégrale* (so called).—This form of co-operative association is of very recent date. In place of the rather ambitious appellation which the originators have themselves adopted, and which I shall proceed immediately to explain, this form of association might more properly be designated capitalistic, or semi-capitalistic, since its distinctive feature is the employment of outside capital; and this, not only in the form of loans, but in the form of *capital associé* (by *actions*, and not by *obligations*). And naturally, also, a share in the direction of the enterprise and in the profits goes to those who contribute the capital.

In this respect the new form of association breaks

sharply with the traditions of French co-operators, who have admitted outside capital as an instrument of production, for the use of which they have paid a moderate interest,—a sort of wages, so to speak,—but have absolutely refused to recognize in it a master participating in the management and receiving a portion of the fruits of labor. And this form of association has aroused energetic protest on the part of all co-operators loyal to the old ideal of self-supporting and self-governing co-operation: it has been denounced as a sort of treason, or, at least, a backward step on the road leading to the emancipation of labor and abolition of capitalistic domination.

The *association intégrale* owes its origin to the director of a co-operative society of house-painters, M. Buisson, who has become a leader in the co-operative movement during the last ten years. This society, called *Le Travail*, thanks to its skilful director, had already become very prosperous; but the director's ambition was not yet satisfied, and he suffered for lack of the capital which would enable him to develop the enterprise to the extent that he thought it might be developed. What to do, was the question. To obtain capital on loan did not appear to him wise, for a loan creates a veritable servitude on the part of the borrower; and, further, it was improbable that capital would offer itself very readily at a moderate interest, since co-operative associations are generally considered by capitalists to offer little security. It appeared, therefore, much more advantageous to procure the additional capital needed by issuing stock, since the capitalist here renounces his right to reimbursement of his principal, and assumes all risks of the enterprise, while he is nevertheless more easily tempted by the prospect of participating in the gains and in the management. And, indeed, he found just the man to serve his purposes in a banker of enterprising disposition, M. Bernhardt, who offered to advance seven hundred thousand francs on

these terms of limited liability. M. Buisson hastened to accept the offer. In reply to criticisms to which he was subjected,—his exclusion even from the federal council, *la Chambre consultative* \* was asked for, and the demand defeated by only a narrow majority,—he declared that this combination was not inconsistent in any particular with the true principles of co-operation; that, on the contrary, it effected an integral combination (whence the name *association intégrale*) of the three factors of production—labor, capital, and talent—such as had been formulated by Fourier himself; and that even the shares in the profits assigned to each of these factors under the regulations of the new association were not very different from those indicated by Fourier himself ( $\frac{1}{3}$  to labor,  $\frac{1}{3}$  to capital,  $\frac{1}{3}$  to talent). Further, that it was the only way to give to associations of producers the free swing which they required, and of enabling them to enter into the great industries. Only under this form of association might co-operators make any pretence of effecting a social transformation. As regarded the domination of capital, which concerned the critics overmuch, it need not be feared, provided certain precautions were observed, which he had taken care to have expressly inserted in the by-laws. Of these the three most important stipulations are the following: first, members of the board of directors of the association shall be elected by the shareholders, but must be taken solely from the working members (*les membres ouvriers*); second, dividends declared on capital shares must never exceed  $7\frac{1}{2}$  per cent.; third, all employees in the association, even those engaged as auxiliaries, must participate in the profits.

With such arguments as these the initiator of the new régime disarmed the orthodox co-operators. He might also have cited the example of the English productive societies, which almost without exception are established

\* The federation of which we spoke at the outset.

with the aid of outside capital. English co-operators are inclined even to manifest some disdain for the self-supporting workshops, as an antiquated form of association (this tendency finds expression in outspoken terms, for example, in the periodical called *Labour Copartnership*). However, it must be noted that the capital advanced to the English societies of co-operative producers comes to them, not from more or less speculative bankers, but generally from the distributive societies. And this makes no little difference. The English system appears to be an excellent one, although we entertain some doubts concerning the future of the system of so-called "integral" association. The experiment is an interesting one, but it is necessary to await the end.

In any event, M. Buisson's undertaking immediately inspired a certain number of imitators; and already a dozen associations of producers have been formed or reorganized on the model of the society *Le Travail*.

### III.

#### *Relations of Productive Associations with Distributive Associations.*

As we have just remarked in the preceding lines, French productive societies have almost never benefited, as the English have done, from the valuable assistance given by co-operative stores, either in the advance of capital or in the assurance of a market.

Productive and distributive societies in France have up to the present time maintained existence in entirely separate spheres, which manifest no tendency to coalesce. Indeed, between these spheres the power of repulsion seems even stronger than the power of attraction. By way of explanation, it will suffice to bear in mind that while in England the distributive societies antedated

by many years the productive associations, and so might naturally assume with reference to them the rôle of protectors or of elder sisters, in France just the reverse is true. Here the productive associations inaugurated the co-operative movement, and distributive societies came long after. Not only is it true that scarcely any distributive societies existed in 1848, but, also, that even during the second movement of 1866 they played a very secondary rôle; and at that time one of the co-operative leaders, Chaudey, wrote of them that "distributive co-operation is the most insignificant of all forms of co-operation." Only since 1887 has the increase in number of distributive societies been at all rapid, thanks in part to the initiative of a little group of co-operators often referred to as the school of Nîmes, because its chief members, MM. de Boyve, Fabre, and others, live in that village, of which the present writer is himself a native. These men created for the first time, at the congress which met in Paris in 1887, a federation of distributive societies, called the Co-operative Union (*L'Union coopérative*); and they attempted to organize it upon the plan of the Co-operative Union of Manchester. In spite of their efforts, however, the distributive societies, although sufficiently numerous,—it is estimated that they number 1,500,—are still too poorly organized in France. Barely 200 have joined the Union. Each society governs itself according to its fancy and without any common program. It will be seen that, under these conditions, it is impossible to organize anything approaching what the English call the federated system, and that the distributive societies cannot materially aid the productive associations. Moreover, the productive associations are not disposed to seek aid of the distributive societies, which in their mind stand for an ideal quite inferior to their own. "As for us," the president of an association of producers remarked to me, "we look upon the distributive societies as vulgar little groceries."

There is a tendency at present, however, to react against this antagonism and to establish some interrelationship between the two forms of co-operative societies. The question has been made an issue in each of the co-operative congresses held during the last few years. But it is not easy to find practical means of effecting such a *rapprochement*. The distributive societies are in no condition, even were they so inclined, to advance capital to the productive associations, or to guarantee them an outlet for their goods.

First, as regards capital, they have very little of it to dispose of. Many sell goods at cost, declaring no dividends, and making no attempt to increase the social fund beyond that "reserve" which is required under the law and which they are not allowed to dispose of. The greater number do not even require members to pay in the total amount of their shares, but content themselves with the legal minimum, which is one-tenth (only five francs per share). If, nevertheless, a society becomes rich, and accumulates a certain capital, its first care in this event is to put up a building in which to keep its goods. Often they even borrow money for this purpose. They take a certain pride in being housed in their own building, which, moreover, is a good advertisement. As regards funds belonging to members, accumulating from dividends not withdrawn, and left in the hands of the society,—funds which for the English societies represent all told a free capital of hundreds of millions of francs,—it hardly exists in the French distributive societies; because, to repeat, many of the French societies sell at cost, and so have but small amounts to distribute as dividends to members; because, even in the societies which do declare dividends, the members are not accustomed to leave them with the society; and, finally, because, even if they should leave the dividends untouched, members would not suffer their funds to be employed in any such doubt-

ful enterprises as those of productive co-operation. Where, then, shall the distributive societies find any capital free to advance to associations for co-operative production?

As regards purchase of goods, it might seem that the problem is a simple one. Yet it must be borne in mind that almost all the distributive societies in France sell only groceries, bread, wine, fuel, and oil. A few, but only the more important, add haberdashery, hosiery, shoes, and hats. But the associations of producers in France produce none of these things. They are printers, carpenters, cabinet-makers, masons, upholsterers, house-painters, diamond-cutters, carriage-makers, manufacturers of musical instruments, of mirrors, jewelry, pianos, and the like. What would you that the stores should buy? There are a few exceptions. We have mentioned one very remarkable exception in the manufacture of bottles by *La Verrierie Ouvrière*. I may mention also an unpretending association of producers in Paris, that of the paper-bag-makers, who sell to a certain number of stores. But these are well-nigh all.

There would seem to be no possibility of any extensive trade except between the stores and agricultural associations of co-operators. If there were co-operative associations for the production of flour, wine, butter, cheese, meat, vegetables, fruits, preserves, it is probable that they might find the stores important distributing agencies. And there are several agricultural associations already formed or in process of organizing (notably for the production of butter, cheese, preserves, and early vegetables and fruits), but they are still very few; and, furthermore, as we have already remarked, they do not fall within the scope of our inquiry, since they are not organizations of agricultural laborers, but of sufficiently well-to-do landed proprietors.\* Suffice it to say that during the last five or

\* See for details a little book entitled *L'Association de production agricole*, by Count de Rocquigny.



six years considerable effort has been made, but so far made in vain, to establish some alliance of the distributive societies with the agricultural associations.\* This, for example, is the object of the "International Co-operative Alliance," founded in 1895, which has already held two congresses,—one in London and one at the Hague,—and which comes together for a third meeting at the Paris Exposition of 1900. Its chief object is the extension of copartnership, but one of the articles of its program is also "to organize in each country mixed committees made up of the representatives of diverse branches of co-operation for the purpose of establishing relations to their mutual advantage."

But I wish to call attention to one remarkable fact: it is that the prime movers have not once thought of employing, as a means of bringing together the productive and the distributive societies, a method which is very warmly recommended and often practised in England, that of according the distributive societies a share in the profits. This system is not altogether unknown in France, since a number of insurance companies have practised it and a few individual tradesmen have tried it. But I do not think that any association of producers has done so. They would hardly understand the theory set forth in the columns of *Labour Copartnership*, more particularly by Mr. Holyoake, namely, that the purchaser has a right to be reckoned among the productive agents along with labor and capital, and has consequently as good a right as they to a share in the profits. Making such reservation as we choose concerning the theoretical value

\* See in the *Economic Journal* for June, 1895, an article entitled "The Relations between the *Syndicats Agricoles* and the Distributive Societies in France."

The *syndicats agricoles* (agricultural unions) are very numerous in France, but only a few of them have ventured to undertake co-operative production or even the sale in common of agricultural products. The great majority are content to buy necessary agricultural supplies in common; that is to say, they play the rôle generally of distributive rather than productive societies.

of this formula, we are nevertheless disposed to believe that in practice such participation in the profits accorded to the distributive societies, and even to individual consumers, may have beneficial effects, especially in increasing the number of buyers, and also, as Mr. Holyoake has very well said, in developing a sentiment of solidarity among co-operators, and in preventing associations of producers from degenerating into institutions of the individualist and competitive kind.

#### IV.

##### *Privileges accorded Associations of Producers.*

If the French associations of producers have suffered from the lack of any assistance from the co-operative stores, they have had compensation in the very considerable aid afforded them by the state and by municipalities, and in certain subventions which English societies have never obtained. This constitutes a new difference between the co-operative associations of the two countries, only this time the case is reversed. It is all the more necessary to give details concerning favors granted to the associations of producers, because they have been made the object of active criticism on the part of economists of the liberal school, and, further, because of the inexact and *ex parte* statements often made concerning the consequences of granting these favors.

We proceed to take them up, grouped under four heads.

1. *State Aid.*—Every year there appears on the national budget a credit of from 140,000 to 150,000 francs to be paid over to associations of producers. It is a gratuitous offering, distributed in very small sums, of 500 to 1,000 francs (in two or three instances only has the allowance amounted to 5,000 francs). It is, therefore, a sort of

alms. I do not believe it has done as much harm as the economists maintain, nor do I believe that it has done any great good. This subsidy, insignificant as it is, has nevertheless enabled a number of poor associations to extricate themselves when they had made a misstep,—such as all co-operative associations so frequently make at the start,—and has also, perhaps, enabled them to take advantage of that prestige which in France attaches to all state-subsidized institutions. Aid received in this first form is of little consequence, and need not be further considered.

2. *Privileges in Undertaking Public Works.*—In all public works undertaken by the state, the municipalities or the departments, associations of producers, enjoy certain favors, as follows : \* —

(a) Preference over individual employers in the award of contracts where terms offered are equal.† (b) The right to dispense with the formalities of a public adjudication, and to contract privately with the state for awards of small importance. (c) Exemption from the necessity of furnishing security according to the usual practice in the award of public contracts, this exemption, however,

\* These favors have been accorded by a decree of June 4, 1888, as regards works undertaken by the state; by order of the *Conseil d'État* of June 27, 1889, as regards works undertaken by the departments; and by the law of July 29, 1893, as regards works of municipalities.

† To understand this provision, it should be borne in mind that all works undertaken by the state or by the municipalities must be awarded by public adjudication. That is to say, the state fixes upon a certain sum, provisionally, as its estimate of the work to be done, and invites all contractors who wish to undertake the work themselves to say (in a sealed letter) what amount they will accept. The letters are opened in public sitting, and the contractor offering the greatest deduction from the price fixed by the state must be preferred. If two contractors name the same figure, the operation is recommenced. However, in this latter case, if one of the two contractors be a co-operative association of producers, it is awarded the contract without the necessity of reopening the bidding.

It will be seen that this first privilege is not a very considerable one, since it is conditioned upon a coincidence of rare occurrence. Still, the case does arise.

being granted only when the contract involves less than 50,000 francs. (d) The right to be paid as the work is done (*par à-comptes*, as we say in French) every fifteen days, it being customary for the state to pay contractors only after completion of all the work called for in the contract, even long after completion.

Only the last two privileges are of practical importance.

The last provision would be the most precious of all for associations of producers, if it were punctually executed. But this is precisely what almost never happens, in spite of the formal enactment of the law. One can certainly see what an immense embarrassment it must be to an association of workmen who have no capital, and who must be at great pains to procure any, to be forced to wait several years for their pay and to be obliged during that time to make advances for equipment and wages. The delay of the public administration in paying for work executed on account is incredible. It takes place not solely from indifference on the part of state engineers and architects, but also from the fact that often contracts are awarded before necessary credits have been regularly voted. An instance is recorded where furniture delivered at a prefecture was not paid for until the pieces were already worn out, and had to be repaired by the same manufacturer who had originally delivered them. I have known of an association of house-painters — who would require almost no capital at all, since all the capital necessary in that occupation reduces itself to a few pots of paints, a few paint-brushes, and some steps — obliged, nevertheless, to borrow more than 100,000 francs, in order to undertake certain works for the city of Paris. However, these associations do not dare insist upon a fulfilment of the law passed in their own interests, since they fear that the architects, irritated by their demands, may withhold contracts in the future.

In spite of the embarrassment which we have just indi-

cated, associations of producers eagerly seek to obtain contracts from state and from municipalities; and one might almost say that the majority of these associations could not live at all without such contracts. At this moment several are wholly occupied with work connected with the Exposition: they are building the *Palais d'Économie sociale*; and along the palisades, which enclose the Exposition grounds for a distance of several miles, one may read *Association coopérative de charpentiers de Paris*. The reason for this eagerness manifested by co-operative associations in securing public contracts from the state and the municipalities is very simple: it is because they can find no other employers at all. We have already explained how it happens that the distributive societies are unable to give employment; and the *bourgeoisie* show but little enthusiasm, since the associations have generally no very well-known mark of distinction, and since intermediary employers—that is to say, architects and managers—often prefer to deal with the ordinary manufacturer. However, several co-operative associations have been employed under some of the large corporations. For example, the association of tin-smiths—*ouvriers ferblantiers*—is employed chiefly by the Paris Gaslight Company.

3. *The Rampal Foundation*.—In 1879 a wealthy philanthropist, Benjamin Rampal, bequeathed his entire fortune to the city of Paris, with the stipulation that the income be devoted to making loans to associations of workingmen. Amounts paid back, with interest on them, should be turned into the common fund to increase the available capital indefinitely, as in the famous Peabody foundation for the construction of workingmen's houses in London. The fortune left by M. Rampal amounted to 1,400,000 francs; but, owing to life interests in it, the city has as yet had at its disposition only a capital sum of 563,000 francs.

This foundation has provoked many rather unsympathetic comments. Economists of the liberal school have not failed to recall in this connection the history of the 2,000,000 francs loaned out by the state in 1848 to associations of producers, and which was not only totally lost, but appeared even to contribute to the ruin of the very associations which had recourse to this baleful fund. They did not hesitate to predict that the Rampal foundation would have like effects; and they exulted in the first-known consequences, which seemed, indeed, fully to justify them in their expectations.

It must be confessed the first experiences were not encouraging. In 1883, the year in which the first loans were made, the city lent 278,000 francs. Of these, but 114,000 francs were paid back; that is to say, 59 per cent. was lost once for all. In 1884 the city lent 141,000 francs: it received back 109,500 francs,—the loss was less, but it still amounted to 22 per cent. In 1885, undoubtedly discouraged, or because available funds were exhausted, the city made no loans. In 1886 it lent the modest sum of 24,000 francs; and of this sum there was paid back 18,628 francs,—the loss was still 22 per cent.

However, even so far there is from year to year a degree of progress. This progress manifested itself in a fashion most astonishing and truly unexpected during the years following. From 1887 to 1889 the city lent but 9,000 francs, of which 8,135 francs was paid back,—the loss was less than 10 per cent. In 1890, taking courage, the city lent 65,800 francs, of which it received back 64,341 francs,—the loss amounted to less than 2 per cent. Finally, to be brief, from 1890 to January, 1899, the city has lent 605,000 francs, of which 585,500 francs have been reimbursed,—the loss being 19,500 francs, or 3 per cent. And it should be observed that this loss of 19,500 francs is due entirely to one society, *L'Espérance du bâtiment* (a name that brought no good luck!), which failed in 1898.

But for that vexatious accident, all loans placed during the last eight years would have been wholly reimbursed. It is evident that the municipal administration has shown much more prudence and vigilance in making its loans, and that the labor associations on their side have given a remarkable proof of punctuality in meeting their obligations, showing that they have acquired a sense of business honor.\*

And one may believe without optimism that in future capital lent will be regularly reimbursed. We have proof of this in the regularity with which partial reimbursements are made during the term of the loan, and often in the anticipatory payments frequently made. Take, for example, two associations, that of the tinsmiths and that of the upholsterers, which in 1898 borrowed, the first 55,000 francs, the second 12,000 francs, and which on the 31st of December, 1898, had already paid back, the one 45,000 francs, the other 11,000 francs.†

In brief, to sum up these operations, during the last fifteen years the city of Paris has advanced 1,121,000 francs (that is, twice the amount of capital which it has had at its disposal), and has lost in all 220,000 francs; but almost all of this loss may be imputed to the first two or

\* It may be added that certain of the associations have already given remarkable proof of a sense of business honor. I may cite the stirring accounts of the association of lithographers in Paris. Established in 1866, it became insolvent for the first time as a consequence of the war of 1870, at which time, however, it succeeded in meeting its obligations. In 1886 it went into insolvency a second time as a consequence of a curious complication. The association had manufactured, at a cost of 213,000 francs, some illustrated Christmas cards, destined for New York. They were unable to dispose of more than 40,000 francs worth. Their liabilities at this second failure were not less than 340,000 francs. Nevertheless, to-day these obligations have been entirely met, principal and interest, about 500,000 francs. The association has obtained its rehabilitation by a judgment of March 15, 1898, and has celebrated that event with a banquet presided over by M. Deschanel, president of the Chamber of Deputies.

† The figures which we give here have not yet been published in France for the last three years. For the years preceding they may be found in greater detail in the volume already cited, *Les Associations Ouvrières*, published by the *Office du Travail*.



three years, and it has been partially compensated for in 80,000 francs interest received by the city during the period. It is, therefore, entirely unjustifiable to affirm, as economists continue nevertheless to do,\* that this experiment is a complete failure; and still less are their generalizations warranted, when they declare that all loans made by the state or out of philanthropic foundations to co-operative associations will result disastrously. Prince Bismarck once spoke of Lassalle's plan, which called for a state loan of one hundred million thalers to associations of producers, saying "that the inefficacy of such a measure had not been clearly demonstrated to him." He has consequently followed with interest the Rampal experiment. However, we are inclined to believe that, should the loans mount up into the millions and hundreds of millions of francs, it would no longer be possible to place them with discernment; and they would then occasion more harm than good.

4. *The Co-operative Associations' Bank.*—This bank, whose function it is to accommodate associations of producers with advances of money, was established in 1893. It may be asked why such an institution should figure at all in this chapter, since a bank is, economically speaking, an institution which would appear to have nothing in common with subsidies and privileges. The answer is that this bank is exceptional, since its capital is almost all of it due to the generosity of a philanthropist and of the state. The bank began, in fact, with a state endowment of 50,000 francs; and it received soon after a bequest of 500,000 francs from a private individual, a disciple of Fourier, who made a fortune in America, and who now in his old age is living in Paris in a most modest retirement. He desires to remain anonymous; and, therefore, we shall not give his name.

The bank undertakes to make advances to associations

\* See, for example, the article by M. Brelay upon co-operative associations in *La Réforme sociale* for 1898.



already organized, either in discounting their commercial paper or in advancing money on work executed, but not paid for. And, if one bears in mind what was said above, the importance of this last service becomes obvious. However, it cannot be said that the bank's operations are on a very great scale. It loans each year 2,000,000 francs, which is distributed among some fifty associations; but its profits are very small, and often they are absorbed by the losses inflicted by certain associations financially embarrassed. Moreover, by reason of its origin, it considers itself rather a philanthropic institution than a banking institution proper. Its generous founder had said to it not "do business," but "render service." And, incontestably, it has rendered service. Services, however, generally cost those who render them dearly.

## V.

### *Achieved Results and Prospective Future.*

Associations of producers are still too few to have exercised any influence whatever upon the general condition of the labor class. Have they, however, sensibly ameliorated the condition of those individual laborers who make up their membership?

Yes, but to no such considerable degree as one might perhaps suppose. Thus, if we take all associations of producers together which have made any profit on their operations (excluding consequently from our calculation those which have operated at a loss), we find that the 5,000 workmen who have shared these profits have received, on the average,

1,410 francs annual wages.

205 francs dividends apportioned to their labor.

290 francs dividends apportioned to their capital.\*

1,905 francs.

\* That is to say, shares owned in the association.

This total income of more than 1,900 francs is certainly above the average rate of wages for workmen, which even in Paris does not exceed 1,500 francs a year (300 working days at five francs a day or 250 days at six francs a day). But it must not be forgotten that the workmen who compose these associations of producers are picked men, morally as well as professionally, as is sufficiently proved by the fact that they have established and kept alive their associations. Probably, therefore, these same workmen, even if they had remained under the competitive régime, would have received wages above the average, and earned an income equal to that which they obtained by co-operation, or greater.

But to set a money value upon the benefits of co-operation is to judge it by unimportant consequences. The co-operative workmen do not judge it thus. At least, they do not make an increase of income the chief end of their efforts. What they have sought above all else is independence and security. And, generally, associations of producers (at least those which have been successful) have procured them these two boons: independence first, since they obey only such managers as they have chosen of their own free will, and only such regulations as they have made for themselves; security, also,—first, by permanence of employment (in some associations the same workmen remain for ten, twenty, or twenty-five years, and finish by becoming directors), and, secondly, by old age retiring pensions, which in some establishments, such as those of Godin or Leclaire, may amount to 1,500 francs a year. In the *Maison Leclaire* each year there is a banquet to celebrate the departure of those who are retiring. It is a touching ceremony, which brings into vivid light the contrast between the condition of the associated workman and that of the ordinary employee, for whom the day of retirement on account of old age is the day most dreaded and most terrible in his life. At the *Famillistère de Guise*

those on the retired list remain in the common building, cultivate flowers in their rooms, participate in the deliberations of the councils, and walk in the beautiful park belonging to the establishment. They may enjoy, also, the prospect of seeing their children replace them in the association. In short, it would seem that the state of mind and conditions of life for these associates must approach those of members of guilds in the Middle Ages, which are believed, rightly or wrongly, to constitute one of the happy periods in the history of the working classes.

Further, it would seem that associations of producers have not yet penetrated that sphere where they might do most good, that of the more destitute and more completely exploited workmen. It is only beginning to reach these classes. Consider, for example, the entire population of fishermen, which comprises not less than eighty thousand men (with their families, a population probably of half a million persons). They produce annually in fish an average value of one hundred million francs; but, thanks to middlemen, they receive barely sixty million francs,—that is to say, in place of an average income per family of 1,250 francs, which would mean to them comfort, they receive but 750 francs, which means misery. A co-operative association of producers is here clearly needed. Indeed, one has been roughly outlined. M. de Seilhac, chief of the industrial department at the *Musée Social*, has just formed a co-operative association of fishermen in Brittany, with a market in Paris; and this association has already distributed among its members, as the product of their fishing, 60 per cent. more than they had expected to receive.

Finally, the interests of those associated are not the only interests to be considered. A scientific interest of the highest order also attaches to these social experiments. Insignificant as these co-operative associations are, they may be microcosms in which we may find a sug-

gestion of what the world is to become,—the vast world of the future. For example, the question how products should be distributed between capital and labor—a problem which appears to be almost insoluble theoretically, in spite of the efforts of Thünen and of Pantaleoni—is empirically solved by associations of producers. It is, indeed, the only place where there is no conflict between capital and labor, since the capitalist and the laborer have become one. It is well to bear in mind that the share of each of these two factors will be determined solely by a consideration of their respective utilities. Herbert Spencer, indeed, finds the chief merit of associations of producers to lie in the introduction of a new method of distribution. “Far more than by the primitive slave system of coerced labor and assigned sustenance; far more than by the system of serfdom, under which the serf received a certain share of produce; more even than by the wage-earning system, under which payment, though partially proportioned to work, is but imperfectly proportioned,—would the system above described bring merit and reward into adjustment.”

To cite the most curious mode of distribution which has been put to the test of experiment, certain associations adopt a principle of repartition which is very bold and suggestive. It consists in determining the relative importance of the two factors in production,—capital and labor,—not at all as it has been customary to do, placing in the balance, on the one side, the amount of the capital employed, and, on the other, the total amount of wages paid to the laborers; but comparing, on the one side, interest paid to capital, and on the other wages paid to labor. In truth, they say, product should be apportioned to service rendered by each of the two factors in production; but, just as the service performed by labor is measured in wages, so the service performed by capital should be measured in interest. Now it is clear that this new

method of repartition has the practical result of rendering capital's share, in net product, twenty times smaller. Consider for a moment the *Famillistère de Guise*, where Godin introduced this method of repartition: the sum total of wages paid here is about 2,000,000 francs; capital is valued at 4,600,000 francs. Suppose the profit to be apportioned is 500,000 francs. If the old rule of repartition applied here, this product would be apportioned in the ratio of 2 to 4.6, which would give to labor 152,000 francs to capital 348,000 francs. But, applying the new rule, which may be called the Golden Rule, the apportionment is made in the ratio of 2,000,000 of wages on the one side and 230,000 francs on the other (interest on a capital of 4,600,000 francs); and so labor's share becomes 448,000 francs, and capital's 52,000.\*

\* We have simplified the calculations, which are in reality much more complicated, because the laborers are classified into categories, having each a certain coefficient, and also because there is a portion set apart for ability (*les capacités*); that is to say, management.

There are certain associations which allow capital no share whatever, no share in net product nor even interest. There are a fairly large number of such societies,—about sixty-two. Time will tell if they can survive. There are, on the contrary, societies which give all to capital and none to labor (except wages). Such an association is that of the spectacle-makers already mentioned, and several associations of diamond-cutters. Between these two extremes there is a perfect gradation of societies.

We have been curious to find the average ratio in which profits are apportioned, taking all associations of producers together, and have found it to be as follows:—

Capital . . . . .	60%
Labor . . . . .	23%
Reserve . . . . .	10%
Management . . . . .	4%
Insurance . . . . .	3%
	<hr/>
	100

To simplify this table, the portion going to reserve may be set down to capital, while the portion assigned to management and insurance (retiring pensions, sick pensions, and the like) may be set down to labor; and we shall then have the following:—

Capital . . . . .	70%
Labor . . . . .	30%

It will be seen that the share going to capital is very much the larger; but it must not be forgotten that the greater part of this capital, almost all of it, is owned by the laborers themselves.

And if now, as the close of this too lengthy study is reached, we are asked whether we believe, with the socialists of 1848 in France and the Christian socialists in England, that co-operative associations of producers will suffice *alone* to bring about a new social order, we reply in the negative. Such association cannot accomplish a great deal except in subordination to the distributive societies. And, furthermore, this appears to us to be in perfect accord with that general law, that production is subordinate to consumption. With Mr. John Graham Brooks, I believe that salvation must come from the consumer, and not from the producer.

CHARLES GIDE.

## UNIVERSITY SETTLEMENTS: THEIR POINT AND DRIFT.

To most onlookers a peculiar mist seems to hover about the university settlement enterprise. At times this nebulous quality has given shape to a vision in which the flower of the country's youth, touched with a new chivalry, go forth to establish outposts of civilization among the supposed barbarian hordes that threaten the modern city. Again, to some, disdaining illusion, this glamor has resolved itself into the mere vagueness that goes with amiable ineffectiveness. Settlement workers, more desirous of escaping the romanticist than the cynic, have asked that both should for a time withhold judgment. They have urged that there was enough of promise in the bare fact that representatives of separated social classes were meeting one another as neighbors, to justify patient waiting for results.

It is not to be denied, however, that much has been gained from the expression of both imaginative and critical views with regard to university settlements. That the settlements have stood forth in picturesque aspects, so far from being a mark of ineffectiveness, constitutes one of the clearest evidences of their vitality. The scoffer who asserts that settlement houses have been simply a new device for entertaining and supplying honorific distinction to the superior classes may be reminded that Christianity was once the "fad" of a decadent imperial court, by way of becoming the foremost power in Europe. One of the most distinct contributions of the university settlement has consisted in presenting certain necessary but apparently uninviting forms of social service in such light as to make them interesting. This new motive leaves aside the sentiments of pity and mercy, which have

become outworn by the spread of democratic ideas. It challenges the restricted range of one's acquaintance and friendship. It calls for an extension of one's social intercourse, so as to include men of a widely different way of life from one's own. It demands that this newly formed tie be solidified by so much actual identity of experience as may come to those who live under the same conditions of locality. While laying great stress upon the value of such relation as between individuals, it sets forth in this type of *rapprochement* between the "two nations" the practicability of allaying friction between classes and bringing about joint action between them in measures for the common good. In these ways the settlement scheme gives scope to a certain spirit of moral adventure, and even, in its larger light, carries a suggestion of statesmanship.

The lack of clear definition, which the critic points out, is, to a considerable degree, inherent in the nature of the undertaking. The fineness of the primary motive of neighborly acquaintance makes much organization undesirable. A system which seemed obtrusive would quickly find itself without material to its purpose. The very novelty of the settlement's way of approach to industrial problems, the sensitive issues involved in inter-class diplomacy, call for the greatest care and gradualness in establishing a policy and entering upon a plan of action. If all the best results gained must come through informal personal relations, it is essential that the different residents should, to a great extent, be intrusted with full power. The range of settlement activity must be as wide as human need; so that no recipe, only spontaneous personality, is of much avail. In fact, the one way of learning effectually what to do is by a humble study from day to day of the life of the people whom the settlement is designed to serve. The settlement worker must acquire his policy after the manner of the great educator who



besought the child to teach him. There must indeed be a long-range policy and a compact scheme of organization; only these must take shape out of the particular conditions which they are in turn to mould.

Bent upon democratic co-operation with its constituency, having no sort of authoritative sanction over them, and wishing none, a settlement force cannot be organized after the manner of a military company, a business office, a church, or a school. If any comparison were to be made, settlement work is to be conducted somewhat in the method of practical politics. The wishes of the constituency have to be, not always obeyed, but always seriously taken into account. Politics, even as wrought in by so lofty a moralist as John Morley, is always a choice between evils. Settlement work is endless compromise. There is some consolation for this, however, in the fact that it is rigid schemes of life, economic and ethical, that are responsible for the rift in society which, according to its power, the settlement would endeavor to close.

Some of the uncertainty that exists as to the precise aim of the university settlement is the result of an effort on the part of settlement adherents to distinguish it from the undertakings of reformers, missionaries, and philanthropists, who are, with more or less benevolence, somewhat distant and autocratic in their methods,—indifferent to the deeper values that go with the gaining of personal confidence and eliciting of personal choice,—in their impatience for certain specific results. In the recoil from taking the kingdom of heaven by violence, it has often been said that one goes to a settlement simply to “live” among working people. The settlement life, as spoken of by the adept, connotes work and something more. This form of expression often indicates to the outsider something less than work; carrying with it that suggestion of dilettanteism which sometimes comes to persons visiting settlement houses during hours of relaxation. On

the other hand, it leaves upon certain more intense minds the impression that there is to be some sort of actual sharing in the daily stress of the laborer's existence.

The escape from dilettanteism, on one side, and asceticism, on the other, is not in fervent efforts based upon *a priori* conclusions, but in patient experimental action, guided by an acquaintance with the facts that is both extended and minute. The settlement undertakes to come objectively to the point of the conscious needs and uppermost impulses of the human nature with which it deals. It secures its vantage-ground by establishing, in some sort, a home among other homes. Here its residents are subject to call, like a family physician, twenty-four hours in the day, seven days in the week. They go up and down the same streets with the people whom they would influence, they vote in the same wards, are sometimes purchasers at the same stores, sometimes spectators at the same places of amusement, sometimes worshippers at the same churches. As time goes on, they are in the confidence of many families, know the gossip of the back streets, and have a kindling interest in neighborhood affairs. They are, in fact, upon the scene, are part of the scene, of the local drama of life.

So much of common ground is sought, not for the sake of the experience, though the experience is valuable, but for the sake of such penetrating analysis as, for instance, the medical specialist gives his case, until he comes at that ultimate source of recuperative power upon which in the last analysis the hope of recovery depends; and for the sake of instituting favoring conditions, as the physician then does, to enable this vital reserve to rise into full and permanent power. A measure of reciprocal understanding, like that found between the residents of settlements and working people, is one of the essential means of economic science in gaining many of its most important facts; while it is ever more clear that the working-class

problem may be met, not by patronage and philanthropy, but only by public spirit and downright democratic feeling. This distinction is particularly important because the popular interest in the superficial aspects of settlement work has led to the use of the settlement as a means for promoting a variety of charitable and missionary ends. It is well that as much as possible of the settlement atmosphere should surround such work; but there is danger in some quarters that the settlement motive will be estimated, like a pack horse, according to the amount of freight it can carry.

The question is often raised whether the settlement is designed to meet the situation in certain grades of working-class life or whether it is adapted to all grades indifferently.

Experience has conclusively shown that, while a settlement may find a provisional and partial field among all grades, there is a specific constituency to which its larger, more permanent service must be devoted. To attempt to affect the habitual recipient of material relief by settlement methods is using edge tools where machinery is needed. Settlements which have attempted this problem have as soon as possible turned it over to some special organized charity force. On the other hand, the settlement does not exist for the upper stratum of the personally ambitious and forceful, who tend constantly to rise out of the working class. A settlement may for a time make provision for such, and may afterwards follow them with encouraging interest; but their real opportunity lies in the extension of organized educational opportunities, which is everywhere taking place as a distinct growth. The general principle is that settlements are not to undertake, or to continue, any form of institutional work when agencies specially designed for such service are willing to assume the responsibility. The initiating of experiments, charitable, philanthropic, educational, and

economic, is of course an integral part of the settlement's duty; and these are carried by the settlement until they can be assumed by the public in one form or another. Often, also, a settlement not only has the responsibility for such enterprises, but must sustain older forms of organized service to whose value, though unquestionable, the general public sense may not yet have awaked. This state of things, however, is incidental, if not exceptional.

As an agency for social improvement, the settlement is a more significant and in its degree a more costly undertaking than is the elaboration of organized charity or of systematic popular education. It is designed to attempt a more difficult and a more serious problem. The "submerged" type is easily accessible on the basis of its necessities. The aristocracy of labor is easily accessible on the basis of its ambitions. There is a great middle class of labor, the working class proper, having the loyalties and passions of the proletariat, in one section of which is the centre of industrial unrest, in another the centre of corrupt municipal politics. It scorns charity. It is indifferent to offers of advanced education. This class is to be met only upon the basis of some of the commonplace interests of life. Within it one sort or another of social tie is always very strong. Now it is the most marked characteristic of the settlement that it meets persons always in the light of such relations, touching them at the point of family affection, neighborhood *camaraderie*, industrial and political affiliation, the clannishness of nationality or race, religious solidarity. The settlement, accurately speaking, stands not for relief, not for instruction, but for fellowship. Its difficult and vital task is to wrestle with the inherent organic life of the manual-labor class, to study the complicated interplay of attachments that go to make up its "consciousness of kind," and to join with it along its own lines, so far as possible, in its

struggle for a higher standard of life and a greater share in the results of civilization. The settlement seeks to rehabilitate home and neighborhood life, which tend to become disintegrated under tenement-house conditions; to foster every kind of organization among workingmen that is wisely designed to strengthen their economic position; to gain some sort of practical influence in local politics and municipal administration; to honor what is genuine in the spirit of nationality among each of the complex elements of our working population, while exalting those American loyalties which can unite them into a common citizenship; to support religious fraternity and the ethical standards that go with it, while allaying religious strife; to bring capitalists and wage-earners, the educated class and the working class, into a just understanding of each other; to relate the resourceful ongoing life of the city to the monotonous, if not depressed, existence of its neglected districts. Like the mediæval monasteries, the university settlements, facing the worst results of the industrial revolution, of a new migration, and of the unmanageable growth of cities, may at first fill a strange variety of functions; but their deep and abiding use lies in direct effort towards scattering the social confusion and re-establishing social order. In all this, while giving little or no formal instruction, they undertake through the medium of friendly intercourse to disseminate the inspiration that goes with the cultured life. Without set schemes of reform, they aim to permeate every sort of popular association with the leaven of devotion to the common welfare.

There exists a sufficiently definite policy through which this motive is steadily being worked out. In the first place, the settlements have undertaken to restore for some of its uses the old-time parish system. In one form or another, that system is an indispensable means for sustaining the general tone of a community. This is particu-

larly true in the thickly inhabited quarters of great cities. Here the former parochial divisions, so far as there ever were any, have, of course, entirely disappeared. Moreover, the diversity of religious connection among our city population makes it wholly impossible to organize neighborhood life about the church. The settlement, standing only for those things which are common, is an instrument remarkably adapted to this great need. It assumes a special responsibility for all families living within a radius of a few blocks of the settlement house. The number of souls in this "parish" would be ordinarily from 5,000 to 10,000. In addition to its "parochial" work, the settlement also usually sustains a general relation to the larger district—containing from 25,000 to 100,000 people—which circles about the immediate neighborhood.

The settlement comes in contact with its "parish" by means of an ascending scale of clubs which is organized so as to meet the needs of all ages and both sexes. As a rule, the groups are quite small in number, in order that the settlement worker who takes the lead of a club may become thoroughly acquainted with its members, with their families, and with the life of the streets out of which they come. In forming these little clubs, natural lines of cleavage are followed,—that is, a group of boys who have already banded themselves into a "gang," will be taken bodily into the club scheme, and the "gang," as such, be brought under the mollifying influence of the settlement.

Gradually, as years go by, it becomes possible to honeycomb the neighborhood and many of its social growths with friendly influence, to impart higher personal and domestic standards, to raise the tone of social intercourse, and to secure from the neighborhood, as a whole, a return current of confidence in the settlement and its residents. Out of this there naturally comes a variety of joint action

between residents and neighborhood people in matters of personal, domestic, and neighborhood concern.

For the larger surrounding district—from which the “parish” is not, as a rule, distinctly separated—the problem is that of developing a variety of institutional resources suited to the general needs of a working-class community,—facilities for the systematic relief of distress, the removal of insanitary and degrading conditions, the care of neglected children, the provision of the means of cleanliness, physical exercise, and recreation, together with efforts towards a more widely available and a more realistic type of education. Along with these must go a variety of economic experiments, designed to encourage thrift and to secure to the people the maximum returns from their slender incomes.

In cases where the growth of a city has been very recent and rapid, as in Chicago, it has been necessary for the settlements to build up and mass together such agencies into single strong centres of light in the midst of vast stretches of almost unrelieved gloom. In an older city, like Boston, where the charities are fully organized and educational facilities are almost bewildering in number and variety, settlements are enabled to devote themselves to their more distinctive task. The more highly organized settlement, as a recompense for its additional burdens, has a valuable opportunity in the way of carrying the settlement motive up into education and down into charity. In the simpler type of settlement the workers often render similar service by throwing much of their effort into independent forms of educational and charitable enterprise in the local district. Some of the best results in the way of entering into district affairs have come through holding official appointments in connection with the schools or some department of the city administration. The practice of one's profession as physician, lawyer, or journalist, or the application of one's business



training to some sort of economic experiment, serves to put a resident into vital relations with people in matters that have to them the greatest possible reality.

The mere topographical line, however, is not adequate to mark off the social factors that make up the constituency of the settlement. The settlement represents a shaft sent down to a certain stratum of society. Its basis for sympathetic acquaintance with the people in its vicinity gradually comes to serve for mutual understanding with people of the same sort in other parts of the city. In this way it comes into touch with popular industrial, political, and religious organizations in their more general scope.

As to organized labor, settlements usually give it unequivocal support so far as its fundamental principles are concerned. Without, of course, indorsing all that is done in the name of labor, they often support trade unionism by aiding in the management of weak unions, and by taking the part of labor in controversies in which its cause seems clearly just. With the advantages of economic study, a resident can often widen the view of trade-union leaders as to some of the bearings of their practical policy; and useful service has been rendered in addresses before gatherings of workmen by showing trade unionism in connection with industrial history in the past, and by demanding that it be faithful to its ideals for the future.

Settlement procedure with regard to politics is not so direct. In one specific case, where a ward organization is at once dominant and hopelessly corrupt, a settlement has twice made strong but unsuccessful attacks upon the local machine. In another instance a settlement has accomplished useful results for its district by co-operating directly with the city administration, regardless of the local political authorities. In still another situation a settlement has scored a local success in an evenly divided ward by securing the balance of power. This last is,



however, an exceptional case; and the practical alternative really lies between the first two policies. To enter into a local political contest is likely for the time to endanger the hold of the settlement in its neighborhood; but that is hardly a sufficient reason for hesitancy. The real difficulty lies in the fact that the social groupings which coalesce into the local political parties are of too elemental a nature to be scattered and put together again, especially by persons coming from without. The only permanent hope for better politics in such districts lies in influences that will gradually level up the entire local electorate. Meanwhile settlements are coming to represent for certain purposes a large constituency of intelligent voters scattered throughout their cities; and with such support, of which a clever ward politician easily sees the importance in a general city election, the settlement becomes a factor which he will less and less be able to despise. With that body of voters behind them the settlements have a distinct mission,—to stand for a form of municipal government which will be not merely negatively incorrupt, in accordance with past traditions, but judiciously progressive in such way as to serve actual public needs as they exist among the city population of the present. For such a programme it is sometimes possible, as has already been proved, to secure through settlement influences a combination of forces between the voters just referred to and the trade-union constituency, which is increasingly independent of mere party lines in municipal elections.

Racial or national loyalties, causing so much confusion to well-meaning but unenlightened people, present to the student a field of peculiar interest. He is able to appreciate the distinctive genius of each type and to sympathize with its traditions. This is, therefore, another of the serious points in the American working-class problem at which the university settlement comes particularly into

play. In some instances the different national holidays have been observed after the manner of the fatherland. In the settlement scheme of neighborhood organization no obstacle is placed in the way of people of the same nationality who prefer to meet by themselves; but the settlement stands as a common ground where all must, to a certain extent, mingle together, and where prejudices are discountenanced. The best results in this direction come from instilling into the minds of the new-comers and their children American political ideas and American national loyalties. For such service the settlement must, of course, yield the honor to the public school. It is, however, a distinct part of a settlement's neighborhood work to confirm the influence of the schools by keeping up the connection between them and the children's homes. There is, as to this general matter, a definiteness in the settlement method which the public school necessarily lacks. It is too often forgotten that patriotic aspirations would mean but little unless based upon our high economic standard. In its pointed fitness for imparting to the immigrant a wider and higher range of wants in his domestic and social life, and stimulating him to the accomplishment of his new desires, the settlement becomes a distinctly important means towards true Americanism.

It seems to be usually understood that settlements omit religion from their scheme. This is not the case. Religion as a constructive moral force is an essential part of the settlement's field. Only when religion assumes phases which make it an anti-social and disintegrating force does the settlement stand aloof. It is needless to say, therefore, that it does not itself float the banner of any competing sect. It encourages its workers to co-operate with such local religious effort as may appeal to them. Usually it has a varied representation of religious creeds upon its staff. It endeavors to secure common action among the local churches in matters of obvious social duty, thus

making a practical contribution towards the allaying of religious strife and the securing of larger returns from the organized moral forces of the community. In all its relations with the people, the settlement stands for the deepest respect for each man's faith and for distinct encouragement to him in sustaining the observances that are associated with it. This is not the neutrality of indifference. It is the tolerance of those who themselves deeply believe. The attitude of the settlement towards religion is in principle precisely the same as towards the labor question and towards politics. It cares little about parties, much about the municipality. It foresees organized capital and organized labor becoming the complementary factors in the organization of industry. It finds in each fragment of the church germs of a "national society for the promotion of righteousness." Thus the value of all the old loyalties is fully recognized. The settlement is neutral only in that it sets up no new loyalties centring in itself.

The function of the settlement as a connecting link between the two great sections of society is one that will be more appreciated as the extent of the cleavage between them comes to be realized. In American cities, between the commercial and professional classes, on the one hand, and the working class, on the other, there run four inter-related and inveterate lines of distinction,—economic, political, racial, and religious. It is unfortunately true in large cities, at least, that the Americanizing process, remarkable as its achievements are, has had its results rather in opening up fuller intercourse within this heterogeneous immigrant mass than in relating it in any way to the original American element in the population. The entire scheme of settlement work, at every point, is now bringing about this sort of relation. Moreover, as rapidly as a settlement worker himself comes into acquaintance with the representatives of any form of working-class *esprit de corps*, he proceeds to bring them into touch with men and

women of the other classes, for the sake of friendly conference and, if possible, for some form of practical co-operation. The securing of working-class representation in all undertakings affecting the people of the community as a whole is a prominent factor in settlement policy.

The university settlement brings the resident into a new attitude. It provides a point of view, a point of departure, with regard to working-class problems, from which the facts may be observed in something like their actual perspective, and from which the facts may actually be affected. Considering that a great part of the toil of science consists in securing the most favorable conditions for investigation and experiment, the settlement must be admitted to have significant prospects as a laboratory and experiment station in one of the most important fields of economic science. That this ground is so frequently burned over by ill-considered, superficial reform, only increases the necessity of deeper penetration and a persistent policy guided by the facts thus ascertained.

There have been two hindrances to development in this direction. The settlements have been compelled during their first years to justify their existence by the simpler forms of service. In the second place, partly on account of the limitation just mentioned, students trained to economic investigation have not yet realized the opportunities which the university settlement can afford them. The restricted sphere of the settlement in its early stages will, however, prove to be of advantage even from the scientific point of view, as giving a sympathetic acquaintance with the domestic life of working people and their general *morale*, which is an essential preliminary to an understanding of working-class problems. It must not be forgotten, either, that in the settlement method for neighborhood improvement an experiment of distinct importance in connection with the question of the American city is being worked out.

Within the past three or four years several of the older settlements have begun to make returns in the way of economic studies. The more important special investigations have had to do with the inner phases of tenement-house and lodging-house life, with child-labor, with the sweating system, and with the sources of "boss" rule in ward politics. Studies of less consequence to the student, but still of value as affecting public opinion, have been made with regard to different racial and national types, and with regard to trade unionism. Two comprehensive analyses of economic and moral conditions in settlement districts have been published, with maps like those of Mr. Charles Booth, to illustrate in detail the economic conditions and the racial affiliations of the population.\*

Along with the growth of systematic investigation have come beginnings in the development of the practical expert. One settlement resident for several years held the post of chief inspector of factories in the State of Illinois. Others have been employed in the municipal service in connection with the inspection of sanitary conditions in tenement-house districts. In two cases, residents have been chosen to conduct local investigations for United States government bureaus. One of the State legislatures has recently voted \$800 for the special purpose of supplying a settlement with detailed statistics from data in possession of the State Bureau of Statistics of Labor. In a number of cases settlements have been drawn upon by private organizations for the inspection of special systems of extortion practised upon the poor, as well as for the securing of information to be used in proceeding against sweat-shop proprietors and the owners of tenement houses unfit for human habitation. Residents have been called to important service upon boards of charity, public and private. The head worker

\* *Hull House Maps and Papers*. By Residents of Hull House, Chicago. New York: T. Y. Crowell & Co. *The City Wilderness*. By Residents and Associates of the South End House, Boston. Boston: Houghton, Mifflin & Co.

of the New York University Settlement had a large share in the active direction of the Citizens' Union campaign in that city two years ago. In Boston several residents of settlements serve upon municipal commissions. Settlements are also able to render skilled service in bringing about needed legislation for the protection of the working classes. The laws against the sweating system in New York and Illinois owe their existence chiefly to effort on the part of settlement workers.

It is easy to see considerable possibilities before a well-organized university settlement in the way of accurately tracing the path of public administrative and legislative advance as affecting working-class needs. Such a settlement will have an even more important field in seeking to discover the true lines for guiding the community's educational and moral action by bringing to light the facts as to racial, religious, and industrial types and gradations. The day of sentimental philanthropy and doctrinaire reform is passing. The enormous wastes, set over against equally palpable shortcomings, in the efforts of the public schools and of the church,—viewed as social forces,—are the result not so much of imperfect facilities and technique as of the lack of minute and luminous information about the mass of human nature which it is their function to fashion and perfect. The settlement is an instrument specifically designed to secure such information. That it is beginning to do so may be inferred—to give a single instance—from a statement recently made by the minister of an important and useful mission church to the effect that the facts presented in a study issued by one of the settlements, if they had been known some years ago, would have materially altered his plan of action, and would have obviated the useless expenditure of a large amount of time and money.

As to the various forms of collective action in the working class itself, the first-hand knowledge that is obtained

at a settlement promises to be of service, not only to those who deal with working people in personal ways, but to those who are interested in the broader bearings of industrial, political, and religious problems. It is also likely to contribute, directly and indirectly, towards a more far-seeing policy for the working-class organizations themselves. In both directions the settlement extends its services for the discovery and presentation of facts. In the matter of municipal politics, for instance, two settlement investigations, one of which has been called by high authority "a genuine contribution to political science,"\* have conclusively confirmed practical settlement experience to the effect that broad appeals in the name of "good government" are, in congested city wards, inevitably futile beside the tangible benefits which the boss has to bestow, and his exhaustive scheme for manipulating popular organizations and rousing class consciousness among his constituency. On the other hand, there is already some experience which shows that the settlement, partly through its neighborhood activities and partly through its general influence with the public, can impress upon the mind of the local politician the importance of acting to a greater or less extent in harmony with the plans of the settlement.

In connection with politics, with religion, with the labor question, the settlement, using a great variety of means for obtaining its facts, is seeking, by painstaking analysis, to discover what basis of mutual understanding and common interest there is between opposing parties. Upon this basis it proposes to work experimentally towards the establishment of a *modus vivendi*. At present, in all our large cities, employers and workmen, tax-payers and the mass of voters, Protestants and Catholics, stand in an attitude of armed neutrality towards each other. The settlement is an outpost for the discovery, by scientific method, of the next step towards social peace.

\* The Nation, February 16, 1899.



When the first American settlement houses were opened, the question whether a continuous resident force could be kept together in this country was a serious one. Twelve years' experience has solved this problem, but not altogether as was anticipated. It has been found that, though there are those who can and will give their services without remuneration, not a sufficient number of such will volunteer to make up a solid and permanent force. Adequate provision has to be made, in one way or another, for the executive staff; and some sort of fellowship or stipend is provided at several settlements, under which persons may take up residence in order to carry on specific forms of work and study. In some cases fellowships are provided by colleges and universities. An interesting and useful type of resident is the one who follows some regular calling, and assists in the work of the settlement during leisure hours. No gain accrues to the settlement ordinarily from those who remain in residence not more than a few months; and several settlements refuse to accept those who tarry for so brief a period. Volunteer workers, not in residence, but keeping regular appointments, can often, by continuous application, render valuable service. Most settlement groups in their early stages are made up either of men by themselves or of women by themselves. It is soon found, however, that both men and women are needed. The deficiency is partly made up through the volunteer service of outsiders; but, in an increasing number of cases, both men and women workers reside in the neighborhood where their interests are. In the Western cities, as college graduates are familiar with the tradition of co-education, men and women residents dwell under the same roof.

With the establishment of a practical basis for a continuous resident force, a sufficient number of young men and women have been available to sustain and increase the work of the older settlements and to supply



recruits for a large number of new enterprises. There are now upwards of twenty-five well-established settlements in American cities, with fully three times that number of missions and philanthropies claiming the settlement name. One inference from this remarkable development is that the average substantial citizen, by giving his financial support, is already recognizing the university settlement as having justified its existence, and as exhibiting the signs of permanency and of further growth.

The full hope that is indulged in with regard to the spread of settlements in cities is that there will be a chain of them running through each large working-class district. There ought to be one establishment of the kind, it is thought, for every 10,000 people. Settlements would thus not only go over the ground piecemeal, but could combine together for great general enterprises that would distinctly affect the life of the larger district and of the city as a whole. Up to the present, settlement work has had the disadvantage that it represented no sort of broad mastery such as to affect discernibly the public course of life in a great district. In due time it is believed that this result will be achieved. There are already two or three instances where there is beginning to be such a combination of forces, and where the sympathetic observer may begin to trace in the prevailing local feeling and in local social customs and institutions the sort of change with which settlement workers are familiar in smaller ways in their immediate neighborhoods.

It is a fair question, however, whether the best result that has come or may come from the university settlements is not that which appears in the reaction upon the settlement worker and to a degree upon the educated classes generally. Large numbers of persons possessing the advantages of life have, through their acquaintance with the motives here outlined, acquired a sounder and more constraining sense of social service. The coming

into touch with persons of another walk in life, who have the unexpected intellectual and moral values which go with that type of existence, leads to a sort of illumination comparable with that which comes from travel in a foreign land. The stimulus which accompanies the discovery that one's particular talents may find a new constituency and a wider sphere brings a peculiar sense of exhilaration. The element of actuality in what is undertaken has tended to give some of that confidence and repose which goes with the scientific habit of mind. The opening of new avenues of service has let free the impulse of devotion in a period of religious doubt. This sort of reflex influence has, directly and indirectly, come to pervade a large share of the cultivated life of the country. The future will no doubt show that it has brought about in an important degree a state of preparedness for some of the foremost issues that the future is to bring.

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## THE GAS SUPPLY OF BOSTON.\*

### IV.

In the last article I explained how the price of gas in Boston was lowered by means of a competing company with very strong financial backing. I propose now to give some account of the results of that competition, the way in which it was terminated, and the present condition and relations of the different companies.

First, however, some further reference should be made to the contracts for the public lighting. The much-vaunted contract of February, 1893, with the Brookline Company, had fixed a price of seventy cents for public lighting in Boston; and it goes almost without saying that, after this contract, the other companies had to reduce their charges for public lighting. They made new contracts with the city on August 17, 1893, at prices much lower than they had charged before, but in no case so low as those of the Brookline Company.† These contracts with the other companies differed from that with the

\*There is no such mine of official information for the later periods as that furnished by the *Report of the Investigation of 1893*; but the published annual and special reports of the Gas Commission, and full stenographic reports of public hearings before legislative committees and the Gas Commission, furnish a safe guide. None of the reports of hearings for this period have been officially printed. The mass of partisan printed matter in the shape of newspaper controversy, pamphlets, and brokers' circulars, is very large.

For the preceding articles of this series, see this Journal for July and October, 1898, and April, 1899.

†In November, 1893, the mayor estimated the annual saving to the city treasury under these contracts at \$65,000 or more. The old and the new prices charged by the respective companies in the different parts of the city were as follows:—

		<i>For Street Lights.</i>		<i>For Public Buildings.</i>	
		<i>Old.</i>	<i>New.</i>	<i>Old.</i>	<i>New.</i>
City proper	{ Boston Company . . . .	\$1.00	\$0.90	\$1.30	\$0.90
	{ Brookline Company . . . .	—	0.70	1.30	0.70
	{ Roxbury Company . . . .	1.50	1.08	1.50	1.08
Roxbury	{ Brookline Company . . . .	—	0.70	—	0.70
	{ Jamaica Plain Company . . . .	1.85	1.50	1.90	1.50
Brighton (Brookline Company) . . . .		1.85	1.25	1.90	1.25
South Boston Company . . . . .		1.50	1.17	1.50	1.17
Dorchester Company . . . . .		1.50	1.17	1.50	1.17

See the *Minutes of the City Council*, 1893, pp. 787, 788.

Brookline Company in providing for coal gas of not less than 18 candle power instead of water gas of 25 candle power. After the charter granted to the Massachusetts Pipe Line Gas Company (which will be explained presently), the Brookline contract was modified\* to conform to the others in this particular.

The transitory character of any benefits from such contracts as that of February, 1893, with its remarkable prices and perpetual provisions, is indicated by the fact that on June 1, 1899, the city government voluntarily abrogated this and all other contracts with the gas companies. A new contract was then made for the street gas-lights of the whole city with the Rising Sun Lighting Company, a corporation organized under the laws of Maine. The contract runs for seven years, with the right on the part of the city to continue it at pleasure for an additional seven years. The company not only is a foreign corporation, but has none of the rights of a gas company in Massachusetts. It is merely a go-between, which agrees to furnish lanterns, Welsbach burners and mantles, keep the whole outfit in repair, light and extinguish the lamps, and provide them with gas, all of which it purchases from the gas companies. The city pays the company at the rate of \$30 a year for a light of 60 candle power burning all night. By this arrangement the municipality, so far as street lighting is concerned, ceased to have dealings with any gas company.

Let us now recur to the direct struggle between the companies. First came the bitter and protracted efforts of the other companies to prevent the Brookline Company from paralleling their pipes under its contract. They appealed to the Gas Commission, on the ground that the company under the law required the consent of the board of aldermen to open the streets. The commission sustained the appeal, and reported the company to the attorney-general for violation of law. The attorney-general in

\* See the *Minutes of the City Council*, 1898, p. 735.

his reply denied the jurisdiction \* of the Commission in the case, and intimated that the Brookline Company was in legal possession of the streets. The fight was then transferred to the board of aldermen. Motions and votes in this body on the subject took almost every conceivable form. Mayor Matthews went out of office January 7, 1895. Until near the end of his term he vetoed all votes bearing on the matter, even including those approving all the permits, on the ground that the board of aldermen had no rights in the premises. The board of aldermen passed several votes over the mayor's veto, including one, September 24, 1894, asking the attorney-general to interfere. March 18, 1895, Mr. Curtis, the Republican successor of Mayor Matthews, vetoed a vote of the board of aldermen revoking the Brookline Company's permits on substantially the grounds taken in the previous vetoes.†

Things took a somewhat sensational turn in November, 1894, when Mayor Matthews publicly announced that, under a three-year contract, he had agreed to accept the presidency of the Bay State Companies in Boston (at an annual salary of \$25,000), with the right of "sole management" by the assistance of local boards of directors nominated by himself.‡

\* Under the statute the only appeal jurisdiction of this board is from a vote of the mayor and board of aldermen of a city or the selectmen of a town, but the aldermen had not acted in this instance. The statutes and ordinances involved in the case are cited in this Journal, vol. xiii. pp. 294, 295. An outline of the opinions of the attorney-general and of the commission may be found in the *Ninth Annual Report of the Commission* (1894), pp. 16-20 and 54-60, respectively.

It is interesting to note that the first recorded dissent in the history of the commission is that of chairman McDonald on the motion to report the Brookline Company to the attorney-general in this case. *Minutes of the Commission* for April 24, 1893.

† Some other interesting vetoes and messages on this phase of the controversy are dated March 1 and October 13, 1893, and February 9, June 19, and August 13, 1894. The first of these contains an opinion of the corporation counsel and a legal defence of the Bay State Company in refusing to keep its promise to parallel all the gas-pipes in Boston.

‡ The correspondence between Mayor Matthews and the companies is printed in the *Boston Advertiser* of November 22, 1894. Notwithstanding the three-year contract Mr. Matthews filled the presidency for but little more than

Possibly, this had something to do with his finally signing on December 5, 1894, an order of the board of aldermen approving the Brookline permits. This order was immediately appealed by the Bay State Companies to the Gas Commission. But, as the better portion of the territory had already been occupied at this time by the Brookline Company, and as the Commission had no means of enforcing its views except through the attorney-general, who had already virtually overruled it on this point, the case remained on the docket for several years, until the companies had come to terms, and was then dismissed.\*

To leave no resource untried, the other companies about the same time began proceedings in the Supreme Court to enjoin the Brookline Company from laying pipes under its permits. But they were denied standing in court, on the ground that no one but the attorney-general could prosecute such a suit. Thus all attempts to prevent the competition by legal means proved futile. On the other hand, the position of Mr. Matthews as both mayor of the city and president-elect of the Bay State Companies while these cases were pending before the board of aldermen, the Gas Commission, and the Supreme Court, did not tend to inspire that degree of mutual confidence necessary to enable the companies to arrive at a voluntary settlement of the controversy. Probably nothing could better illustrate the great difficulty of the whole problem under discussion than the varying relation of Mr. Matthews to it from 1893 to 1896.

The extension of the pipes of the Brookline Company, and the competition in the sale of gas, lasted until about May 1, 1896. By that time there were in round numbers

two months, immediately after he left the office of mayor. It was said that the magic of his name disappeared after the Republican victory in the city election of December, 1894. Shortly after his relinquishment of the presidency he acted as legislative counsel for Mr. Henry M. Whitney, whose entrance into the gas field will be noted presently.

\* *Thirteenth Annual Report*, p. 11.

two hundred miles of duplicate mains in the streets, and almost every house in the better portion of the field had a duplicate service. This warfare was accompanied by nearly all the practices customary in such a contest, except frequent open cuts in the price of gas, which were probably checked by the powers of the commission. Secret discounts appear to have been made to large consumers.\* Apart from the expenditure for duplicating pipes, large sums were dissipated by the companies in soliciting custom, giving away gas ranges and other appliances, advertising, setting and resetting meters, and putting in and taking out services.† How much money was wasted during these three years, to say nothing of the permanent menace from duplicate pipes, it is impossible to determine.‡

During all these years the prices of gas securities were based on rumors and counter-rumors of deals, combinations, compromises, litigations, and threatened receiverships. It was plain almost from the beginning that, if the struggle were to be carried to the point of actual bankruptcy, the Brookline Company, both because of its comparatively simple legal organization and its financial strength, would come out victorious; while even a temporary receivership might be the means of wrecking the net-

\* See the testimony of Chairman Barker before the legislative committee, 1898, p. 21.

† See the advertising circular issued by the Brookline Company, June 19, 1894, in the appendix, pp. 131, 132 of the *Eleventh Annual Report of the Gas Commission*.

‡ On April 13, 1898, Chairman Barker stated to the legislative committee that it might be possible to work out the loss to the Boston Company from its books; but he doubted if the books of the other companies had been so kept as to show how much it had cost them. He "guessed" that the competition cost the Boston Company from \$200,000 to \$300,000. The total dividends of the Bay State Companies fell from \$438,247 in 1893 to \$269,092 in 1894 (calendar years). A special report of the commission to the legislature on the accounts of the Brookline Company, April 16, 1895, found that \$213,884.30 properly chargeable to operating expenses had been charged to plant. *Eleventh Annual Report*, p. 122.



work of trusts and interstate legal relations on which the life of the Bay State Companies hung.

The inevitable result — consolidation — came finally in 1896. Many of the details of the arrangement by which the competition closed have never become known except to the persons immediately concerned. The essential features of the settlement appear to have involved a purchase by the Bay State interests, on six months' time, of a control of the Brookline Company. The statute of Massachusetts, (act of June 30, 1886) forbidding a gas company to sell or lease its works or franchises to another were apparently evaded by transferring the control of the Brookline Company, together with the ownership of \$1,615,000 of the debt of that company, to Mr. Henry M. Whitney personally, who simultaneously, and in accordance with previous arrangement, transferred it to the Bay State Company of Delaware.\*

But, before the competition ceased, new difficulties of the gravest kind had arisen, and the situation had entered upon an entirely new phase. About the beginning of this decade Mr. Henry M. Whitney (to whom reference has already been made) came into control of large bituminous

\*Mr. Dillaway (see note on p. 443, vol. xii. of this Journal) gives this version of the transaction in his bill of complaint filed March 4, 1898, in the Supreme Court of Massachusetts. Mr. T. W. Lawson substantially agrees with Mr. Dillaway in his signed communication in the *Wall Street Daily News* of December 28, 1897. From the organization of the Bay State Companies until they passed into the hands of the Standard Oil party, Mr. Lawson was one of the largest dealers in Boston gas securities on the exchanges, and, also, usually vice-president of the local Bay State Companies. He has repeatedly asserted that in all the deals and contracts he personally represented the Bay State Companies. He has since attacked the management of these companies in two large pamphlets published by his stock-broking firm, and entitled respectively *About Boston Gas and Dominion Coal* and *About Boston Gas and New England Coke*. The portions of two public hearings, supposed to be hostile to the same management, — namely, that before the legislative committee on February 23, 1898, and that before the Gas Commission on February 9, 1898, — have been printed anonymously, bearing all the marks of Mr. Lawson's work. Whatever position Mr. Lawson may have held in the companies, his financial interests have usually been much greater in the movement of the prices of gas securities on the exchanges than in the industrial earnings or welfare of the companies.



coal mines in the provinces of Nova Scotia, and organized the Dominion Coal Company, evidently expecting to find his chief market in New England. These mines under existing or probable market conditions and customs regulations found only a limited and variable Canadian market\* during the period of navigation of the St. Lawrence. If the mines were to be made profitable, some new outlet had to be found for their product. Now it is well known that, in producing coke, large quantities of gas, usually of from 4 to 12 candle power, are produced. For years experiments have been carried on in various parts of the world with a view to perfecting a process by which practically all bituminous coal should be coked and the coke applied to nearly all uses to which the coal is now put. Those conducting the experiments have also hoped to utilize the vast quantities of low candle-power gas in two ways: first, directly for fuel for both domestic and power-producing purposes; and, second, after enrichment, in the ordinary way, as illuminating gas. In short, the dream of the experimenters has been to abolish the use of coal, water gas, and coal gas made in the ordinary retorts, and to substitute the products of the coke oven. There has been no scientific difficulty for years in producing both coke and gas of the character described above. But, unfortunately, coal mines are usually situated in regions far from the populous centres, where heat and light are required in large quantities; and the cost of storing and handling coke is substantially as great as in the case of coal. Hence, up to the present time, it has not been commercially profitable to bring coal for coking to the place where it is in demand or to pipe the gas to any available market. Coke, therefore, has been made near the mines, chiefly for smelting iron ore; and the coke-oven gas has been allowed to run to waste.

\* The company is capitalized at \$20,000,000, and has an estimated capacity of from one to two million tons per year. The mines belong to the government, which is said to exact a heavy royalty. See *About Boston Gas and Dominion Coal*, p. 25.

There are some indications that from the time Mr. Whitney came into possession of the coal mines he had under consideration an attempt to coke the Canadian Coal at some point near Boston.\* The steps by which he is undertaking to carry out that attempt now demand our attention. This is not the place to consider the oft-repeated charges that this great enterprise was entered upon not in good faith, but solely in order to dispose of Dominion Coal stock at a profit and to carry on other stock speculations. And it would certainly be premature to make any predictions as to the financial outcome of the undertaking. Nevertheless, we should not lose sight of the fact that, whatever success may attend it, the undertaking is, strictly speaking, an industrial experiment,—an experiment, too, the result of which is necessarily problematical. Furthermore, it is an experiment which would be foredoomed to failure unless tried on a very large scale; while, in case of failure, the investment required would be almost entirely lost. The risks involved are so great as to be justified only by the chance of a correspondingly great gain; but, as already stated, the strict corporation laws of Massachusetts, taken in connection with prevailing traditions of 10 per cent. as a fair rate of profit, shut out the chance of such a gain. It is perfectly safe to say that no individual would care to undertake such an experiment at his own sole risk. On the other hand, the corporation laws of Massachusetts are made and executed with the special view of preventing any one from trying such industrial experiments at the risk of other people.

To overcome these difficulties, Mr. Whitney, at the

\* As will appear later, a great coke plant owned by the New England Gas and Coke Company—an association organized by Mr. Whitney—is now (August, 1899) nearing completion at Everett, Massachusetts, just outside of Boston. Part of the land on which this plant stands was bought by Mr. Whitney on June 2, 1890, presumably for this purpose. See p. 13 of the printed copy of the "First Mortgage from the New England Gas and Coke Company to the Central Trust Company of New York, dated December 1, 1897."

beginning of February, 1896, appealed directly to the legislature \* for extraordinary privileges, exempting him from these stringent laws. This was, at the time, a natural thing for him to do. He was then fresh from his industrial, financial, and legislative victories in consolidating all of the street-car companies of Boston and vicinity by special act of the legislature,—an achievement by which he had given the world the first great street-car system under a single management. The Whitney Gas Bill did not provide for a corporation of any kind, but granted to Henry M. Whitney and his assigns the right to manufacture, buy, sell, and deal in coke, gas, and all products necessary to, or resulting from, such manufacture; to contract with any existing gas company to buy or lease its works or franchises, or to take the same and any other property by the right of eminent domain, or to compete with any existing company or municipality, and to lay pipes anywhere in the State without the consent of the local authorities. The grant was to run for fifty-four years, with total exemptions from taxation of property held under it for ten years. Although the bill, when accepted by Mr. Whitney, was to be a contract, yet it was so drawn that he could cease to act under it at any time without penalty, or act under the provisions advantageous to him and ignore the others. The bill, while nominally containing restrictions in the interest of the public, was in fact an adroitly devised scheme to consolidate all the Boston companies, and at the same time remove them from all essential control by the legislature and the commission in regard both to capitalization and service. This could have been done under the bill without any additional investment, and without any attempt to make coke or coke-oven gas. The combination, thus freed, could have sold untested gas for the whole period of

\* The Whitney Bill, House No. 635, was entitled "An Act to encourage the Manufacture of Cheap Coke and Gas."

the grant at prices equal to those prevailing at the time the bill was passed. It should be noted that all these extraordinary privileges were asked ostensibly in order to furnish cheap gas to the public, as no new legislation was required to enable any one to engage in the manufacture and sale of coke. Mr. Whitney declared emphatically, at the legislative hearing on the bill, that the enterprise was of so great, delicate, and hazardous a nature that for the legislature to curtail the privileges and exemptions asked for would "absolutely discourage this undertaking."\* It was made to appear that the coke was the chief concern, and that the gas, which cost nothing to manufacture, could and would be sold for a mere trifle. This was but an intensified form of the argument by which the Bay State Company, years before, had effected an entrance into Boston. As a matter of fact, so far as the bill contained any provisions on the price of gas, they were so drawn as to be meaningless. For example, un-enriched coke-oven gas in the holder could not be sold for more than 35 cents per thousand, while, if the grantee sold direct to consumers, the price should be limited to 35 cents "plus the actual cost of distribution"; but, in no case, should it exceed the previously prevailing prices.

The introduction of this bill caused a general onslaught on the legislature to obtain similar privileges for rival parties and to consolidate existing companies. Mr. Lawson, in the supposed interest of the Bay State Companies, had a proposition introduced by which he offered to pay the State \$1,000,000 for privileges similar to those asked by Mr. Whitney. But, as the session wore on and Mr. Whitney's advocates in the legislature continued to gain ground, the managers of the Bay State Companies became frightened, compromised with Mr. Whitney, agreed to buy all their gas from him under the privileges to be obtained, and of course withdrew their opposition to his

\* See p. 50 of the stenographic report.

bill. But even the combined lobbies of Mr. Addicks and Mr. Whitney could not carry the bill in its original shape through the legislature. Yet the changes made in it were more apparent than real. The chief modification was an amendment providing for an incorporated company instead of a personal grant. After a bitter struggle\* the bill passed† both Houses, with all the other more important exemptions and privileges. The provisions on price were still adroitly phrased, but none the less favorable to the company. The friends of the measure, while always pretending that consumers would receive gas at something like 20 to 30 cents per thousand feet, killed an amendment limiting the price of gas in Boston to 90 cents. One of the chief partners in the enterprise has since declared this "a splendid and ideal consolidation bill,"‡ and asserted that, had it become law, within less than forty-eight hours every company in Boston would have leased itself to the Pipe Line Company for a long term, at figures so high that, when the Gas Commission asked the price of gas, it would be found as near 99 cents as it could be got. There is no doubt that such leases could have been legally entered into, and that, so far as this bill was concerned, the present prices of gas in Boston could have been maintained for the full period of the leases.

Almost at the very end of the session Governor Wolcott sent in a vigorous veto of the bill.§ He declared the charter "a roving commission to engage in competition

\* Mr. Lawson, who says he represented the Bay State interests in the bill, declares that it cost from \$200,000 to \$500,000 to put it through, and that the money was spent "in educating the legislature and moulding public opinion." See *Report of Legislative Hearing*, 1898, p. 17, printed edition.

† Under the title "An Act to incorporate the Massachusetts Pipe Line Company."

‡ See *Report of Legislative Hearing*, 1898, p. 17, printed edition.

§ The veto may be found in the *House Journal*, pp. 1219-1224 (June 2, 1896); and also in *Fuel-Gas for Cincinnati*, by A. Hickenlooper, pp. 90-94.

throughout the Commonwealth," "a club by which the Pipe Line could strike down those already in the field," and described the privileges of the charter as "more far-reaching than have ever been before granted to a Massachusetts corporation," and justifiable only in return for a guarantee of much cheaper gas to the consumer,—a guarantee in no wise found in this bill. The House sustained the veto by a vote of one hundred and twenty-one to fifty-four. It then looked as if the scheme were dead, for no new bill could be introduced and passed under the rules so late in the session. But the friends of the bill shrewdly manipulated the rules, compromised with the promoters of the chief rival bill, which was well up on the calendar, and then substituted most of the vetoed bill for the other in the form of amendments. Those in charge of the measure had to submit to very important amendments proposed by the opposition before they got the bill through on the last day but one of the session.\*

The act, entitled "An Act to incorporate the Massachusetts Pipe Line Gas Company" was signed by the governor on June 9, 1896. The capital of the company was fixed at \$1,000,000, with the privilege of increasing it to \$5,000,000. But all shares must be issued under the general corporation laws, and therefore required the approval of the Gas Commission. The company has no right of eminent domain, and cannot compete with municipalities or other companies; while the conditions and terms of any lease or purchase of other works or franchises are subject to the approval of the commission. In fact, the chief peculiarities of this charter are the compulsory locations for its pipes to the holders of purchasing companies or municipalities, but not for distributing to consumers, and the rights of consolidation—subject to approval—with other companies. But a further restric-

\* The bill passed the Houses on Friday, June 5; and the final adjournment did not take place till the next week, but no sittings were held meantime.

tion renders the exemptions from the general law of little value. This is the provision limiting the price of gas, enriched or unenriched, sold by the Pipe Line directly to consumers within eight miles of the State House to 60 cents per thousand. In the heat and confusion at the end of the session it was made to appear that this clause fully met the governor's objection to the bill, and insured a reduction of the price of gas in Boston to 60 cents. In fact, there is little doubt that, but for the belief that the bill meant 60-cent gas, it could not have been put through.\* The clause in question did indeed destroy the chief value of the bill to the promoters by making consolidation under it impossible, except on a 60-cent price basis; but the provision is so skilfully phrased as not to affect the price of gas to the consumer in any way. The company is not compelled to sell directly to consumers, and, apparently, has never had any thought of doing so. The adoption of this amendment is said to have caused Dominion Coal shares to drop to \$5. While the vetoed bill could have been used as a consolidation bill, without any reference to the manufacture of coke, the limitations of the charter as enacted were such as to make it profitable only for the manufacture and sale of the products of coke-ovens. Within the 60-cent limit, prices are subject to the control of the Gas Commission;† while the sales of fuel gas delivered at the holders of other companies or municipalities are relieved from that control, but fixed by statute at 20 cents within five miles of the State House, with increase for more remote points.

\* Chairman Barker calls this pretence "a part of the humbuggery of that bill" (*Report of Legislative Hearing*, 1899, p. 156). Mr. Lawson, speaking of the 60-cent provision, says: "That was our only reason for getting it [the charter]. They refused to give it to us otherwise." *Hearing of 1898*, p. 11, printed copy.

† The company is prohibited from discontinuing the use of any part of the distributing system of any leased or purchased works or from charging more for gas through such a system than had been charged before the lease or purchase.



The result of all these restrictions was that the owners did not care to try to use the charter directly for making coke or gas or consolidating gas companies. The company remained unorganized, with the franchise floating about for sale for any speculative scheme, for more than a year.\* The franchise was finally virtually sold to the New England Gas and Coke Company (of which more hereafter). In short, it was plain upon the passage of this act that no money could be made out of the franchise, unless its owners could, directly or indirectly, use it as the basis of stock-watering, in spite of all prohibitions of over-capitalization in the corporation laws of the state.

At this point we must go back somewhat in our narrative to see what the other companies are doing. Before the new charter was granted, the agreement to stop competition had been made. It appears that, as security of good faith and ability on the part of the Bay State Company to carry out the arrangement, the Brookline Company obtained the consent of the Boston Company to a subsidiary contract directly between that company and itself for a term of twenty-five years from May 2, 1896.

First making sure of the preservation of the subsidiary contract, the managers of the Brookline Company apparently turned the management of it over temporarily to the Bay State Company, supposedly on the terms already mentioned. By the terms of the Boston-Brookline contract (entered into directly by the corporations as such, without the Bay State Company as go-between), the Boston Company agrees to purchase from the Brookline Company, each year, at a price equal to that charged

\*On July 15, 1896, the incorporators were given thirty days to take the stock, and made no response. On August 12, 1897, the directors voted to allow Mr. Whitney to subscribe for all the stock authorized, with the right of assigning it. He subscribed for the whole stock, \$1,000,000. On September 30, 1897, (see the petition of the company to the Gas Commission for approval of its capital stock,) he was allowed to cancel this subscription and resubscribe for the whole amount. He thereupon assigned the subscription to the New England Gas and Coke Company.



by the Brookline Company to the majority of its customers, but with a maximum of \$1 per thousand feet, enough gas to enable the Brookline Company to maintain its plant, pay all its expenses of every sort and description, and then pay 10 per cent. dividend on its stock, 5 per cent. on all bonds now issued, 6 per cent. upon all other existing indebtedness, and 4 per cent. upon all future indebtedness created for the extension of its manufacturing and distributing plants. It will be observed that this contract virtually pledges all the Bay State properties to the Brookline Company. Under the contract the surplus earnings of the Boston Company can be diverted to paying interest and dividends on the inflated capitalization of the Brookline Company, just as the same surplus went earlier to pay interest on the obligation of \$4,500,000.

Such is one of the results of the boasted competitive water-squeezing operations of 1893. The chief differences between the methods of Mr. Addicks and his Bay State Companies and of the Standard Oil magnates in getting hold of the surplus gains from this field are worthy of note. Mr. Addicks did not waste a dollar in unnecessary duplication of plants or pipes. His inflation of capitalization was wholly the work of the printing-press. Consequently, it could be wiped out without any disturbance to fixed capital. On the other hand, the excess in the capitalization of the Brookline Company to be supported by this contract represents, for the most part, money wasted during the competitive struggle or sunk in the useless and dangerous duplication of street pipes. This, of course, remains a permanent burden on the community. There can be no choice, so far as the gas consumers are concerned, between the two methods. It will be recalled that during the competitive period the Brookline Company had just about earned interest and operating expenses, and at the time of entering into the contract was earning no dividend. The Gas Commission, after a

thorough examination of the history, accounts, and works of the company, had just refused its permission to issue bonds to the extent of \$525,000 to take up a part of its floating debt, on the ground that, with all its useless duplicate pipes counted in at full value, the company was over-capitalized to the extent of about \$1,075,000.\*

Without entering into the question of the legality of the Boston-Brookline contract,† the Commission has repeatedly demanded its abrogation, on the ground that it is at least an evasion of the law, "unconscionable" in its terms, and of "questionable public policy."‡ The method of abrogation proposed was unique, if not dangerous; namely, for the legislature to pass an act revoking the charters of the companies, unless each one should voluntarily sign a power of attorney to the Commission to deal with this contract as, in the judgment of the Commission, justice and the public interests require. But the companies insisting on the technical legality of the contract convinced the legislature that the remedy proposed was too drastic to apply to a law-abiding corporation. The result was no action at that session save an order for the commission to report a bill to the legislature of 1899 for consolidating all the companies.

Those who entered into this Boston-Brookline contract have always maintained that, irrespective of its legality, it was not against public policy at the time it was made, because at that time the contracting companies passed into a common control, and the way in which the joint earnings appeared on their books could not affect the public. Both the legality and public policy of the contract have since been vigorously attacked by some of the persons who brought it about on the plea that the in-

\* *Twelfth Annual Report*, pp. 35, 36. The dividends paid during the competitive period, although possibly not all earned, tell the story. From July 1, 1893, to June 30, 1896, the company paid but one dividend of 2 per cent.

† Under the statute of 1886, referred to in this Journal, vol. xii. p. 437.

‡ See especially the *Thirteenth Annual Report*, pp. 8-10.

terests of the parties are no longer the same. But as yet no means have been found of getting rid of it; and, although the distributing systems of the two companies have never been connected, the Brookline Company draws from the Boston Company nearly \$60,000 a year on this account. By this means it pays a dividend of 10 per cent. on its stock. The commission characterizes this as "a demonstration of the facilities which exist at the close of such (competitive) contests for the protection of the investments which they make necessary."\*

The Brookline Company with this contract in force was worth too much for speculative purposes for its owners to allow it to go peacefully into the hands of their great rival on November 1, 1896. Therefore, the Bay State Company of Delaware was thrown temporarily into the hands of a receiver on October 16, and all its resources thus tied up until after the date set for paying for the Brookline Company. It is generally supposed that the Bay State Company at the time had a very large amount of cash † in its treasury, and was in a fair way to pay for the Brookline Company, if left undisturbed. Whatever may have been the terms of the agreement of May 1; and, whatever penalties were agreed upon in case the Bay State Company should fail to carry out its part of the bargain, it is perfectly plain that, in view of the Boston-Brookline contract and the receivership,‡ the affairs of the Bay State Company were on November 1, 1896, in a critical condition. The company was not only in no condition to begin another competitive struggle, but was finally at the complete mercy of its great rivals, the Standard Oil

\* *Thirteenth Annual Report*, p. 10.

† It was probably at this time, and not in 1897, that the capital of the company was increased from \$5,000,000 to \$50,000,000. (See this Journal, vol. xii. p. 435.)

‡ The date set by the court for the hearing of the case was November 7; but before that date a new arrangement had been made, and the company was released by consent of the parties on November 2.

magnates. By a new agreement, dated October 31, 1896, Henry H. Rogers, John G. Moore, and Frederick W. Whitridge of the Brookline Company were made trustees of the entire capital stock of the Bay State Company of New Jersey, \$1,000,000, for the benefit of the Bay State Company of Delaware. The trusteeship carried with it the power of voting the stock of the local Bay State Companies in Boston, and consequently the management of all the interests of the Bay State Company of Delaware in the Boston field. The trustees immediately elected themselves directors of the companies in Boston, and thus came into the control of the whole field; for about this time they absorbed the last remnants,—the Jamaica Plain and the Dorchester Companies.

This trust\* is to last until the Boston United Gas Bonds, first series, "have been retired by the operations of the sinking fund or otherwise paid off," when the trustees are to return the stock of the New Jersey Company to the Delaware Company. Absolutely no pecuniary consideration is mentioned in the declaration of trust. The preamble sets forth the receiverships of the Bay State Company, much other pending and threatened litigation against all the Bay State Companies, the great depreciation in stocks, and the threatened default on the Boston United Gas Bonds. The only apparent consideration is the agreement to have all the receiverships and pending suits dismissed. Whether or not there was any other consideration, which does not appear on the surface, given to the Bay State Company, cannot be determined. All sorts of suspicions and rumors on the subject have been afloat. It has been said that instead of a surrender the arrangement was a genuine alliance against the public, and that the Bay State Company received a large block

\*This declaration of trust is printed in full in the bill of complaint of Carmon R. Hetfield against the Bay State Gas Company of Delaware entered May 8, 1899, in the United States Circuit Court for the District of Massachusetts (in equity), pp. 105-107 of the printed copy.

of stock in the New England Gas and Coke Company, then in the process of formation. Be that as it may, Mr. Addicks has in form, at least, kept up a vigorous public attack on the trustees. In formal circulars issued to the Bay State stockholders, he accuses these trustees of forcibly taking possession of the Bay State Companies and of corrupting the press (to the extent of \$50,000 in a short time) to support them in their action.\* The bondholders and stockholders of the Bay State Company are meantime testing in the courts the right of Mr. Addicks to enter into this so-called "voting trust" on behalf of the Bay State Company.† For reasons which will appear more fully in connection with the account of the New England Gas and Coke Company it is entirely out of the question to say what the real relations and interests of the different parties in the Boston gas field are at present.

At all events, the control of the Bay State Companies, and virtually of the whole Boston gas field, passed into the hands of Mr. Whitney and his associates, the owners of the Brookline Company. Under these circumstances, things began to look better for experimenting with coke and coke-oven gas. But the chief difficulty—namely, the stringent provisions of the two so-called anti-stock watering acts of 1894, apparently the direct outcome of the agitation of 1893 against over-capitalization—still stood in the way. According to these acts, gas corporations, including the Pipe Line Company, can issue no shares except with the permission of the Commission, the proceeds to be invested only for the purposes designated in such permission; while to use the stock of a Massachusetts corporation as a basis for issuing foreign securities is to lay the charter of the domestic corporation open to for-

\* Samples of these circulars in various forms may be found in all the leading Boston papers, beginning about June 15, 1899.

† One of these cases—that of Mr. Dillaway against the Boston Company and others—was decided by the Supreme Court of Massachusetts on July 21, 1899; but the decision turned entirely on technical grounds.

feiture. No one was yet ready to use the Pipe Line charter for manufacturing coke and gas, even under these conditions, with all the resources of the Boston gas field to fall back upon. If these and other statutes could not be successfully avoided or evaded in some indirect manner, the world must still wait for cheap gas from coke-ovens.

The united forces of Mr. Whitney and the Standard Oil magnates — presumably about this time — made an alliance with Mr. Emerson McMillan and Mr. W. J. Elkins, two of the best known developers of gas plants and gas stocks in America. Thereupon, the aggregation, with the aid of some of the ablest lawyers in the country, worked out a unique plan for a new company in the form of a partnership or voluntary association known as the New England Gas and Coke Company.\* The sole management of the property and affairs of the company is, by the "declaration of trust" (dated September 30, 1897) on which the association rests, vested for the full term of forty years in a self-perpetuating body of trustees named in the articles of association. The property is to be represented by shares of \$100 each, par value. The total authorized issue at the beginning is \$17,500,000. Under this declaration of trust the trustees have virtually entire control within the objects of the trust. These objects, among others, are declared to be "the business of manufacturing, buying, selling, and dealing in coal, coke, gas, and all the products thereof and in business similar thereto, including electrical business of all kinds." The trustees are also empowered "to buy any property," including shares and bonds issued under this declaration of trust, "real and personal, and any rights, franchises, privileges, or securities which the conduct of said business may in their judgment require, and may in their judgment tend to promote its successful prosecution and the

\* For convenience, I shall hereafter refer to this association, or company, simply as the Coke Company.

interest of the shareholders, and to hold, use, or sell the same, or any part thereof, at their discretion"; "to borrow money for the business or for the purchase of the property therein authorized, to give notes or other obligations, and to pledge or mortgage all or any part of the trust property to secure such notes and obligations or any contract entered into in the course of the execution of this trust; to make a lease or leases of the trust property or any part thereof."

A careful study of the instrument will show that, if the public can be induced to invest in the shares and bonds of the company, the scheme offers all the more important advantages and few of the disadvantages of both an ordinary partnership and of an incorporated company. For the management is highly centralized, the shares are not subject to assessment, and give no right to demand an accounting except on the very limited conditions of the articles of association. They depend for their value on the trust estate only. Both trustees and shareholders are expressly exempt from any personal liability for the action of the trustees. The company is a partnership, although a peculiar one, and consequently is freed from all the more severe restraints, inspections, and obligations of reporting imposed on incorporated companies; although the Attorney-General intimates that when it begins the manufacture and sale of gas the commissioner may have some power over it. There can be no limit to the amount of stocks or bonds, and no restrictions on the method of issuing them, except the willingness of the public to invest in such securities. Both the financial and industrial operations of the company are as free from State control of every kind as if they were carried on by a single individual.\* If the scheme could be made to

\* This is in accordance with the opinion of the attorney-general in reply to the Gas Commission, which reported the Coke Company on December 12, 1898, and January 19, 1899, for violation of law in refusing to make reports to the Commission. He says that the organization "has clothed itself in the garb



appeal to the investing public, its promoters would have entirely escaped all the terrors of anti-stock watering and other corporation laws. Technically, nothing but the ownership of the Pipe Line charter would have been necessary for the manufacture and sale of coke and coke-oven gas by such an organization as this. But an attempt to start the company on so simple and intelligible a basis as this would probably have failed to tempt the speculative promoter and investor. Hence the heterogeneous accumulation of charters, stocks, bonds, and exclusive contracts to supply the other companies with unenriched gas from the Pipe Line Company at the maximum statutory rate of 20 cents per thousand feet for fifty years.

In addition to the \$17,500,000 (par value) of shares the Coke Company authorized at once the issue of bonds also, to the par value of \$17,500,000, making a total capitalization of \$35,000,000. In fact, the loan was issued to get the money to pay for the property on which the loan itself was based. The trustees of the Coke Company first entered into a contract with themselves, as individuals, by which the Coke Company agreed to purchase the miscellaneous patents, franchises, stocks, and bonds to which allusion has been made. The par value of the paid-up stocks and securities represented in the collection was a little more than \$5,000,000.\* The nominal price to be paid for them (with the patents and Pipe Line charter thrown in) was \$9,000,000. But at the time of this sale the Coke Company did not have a dollar's worth of property; nor did it as yet propose to raise any money whatever from its stock or in any other way, except from a loan for which this as yet unpaid-for property was to be pledged, and from the proceeds of which the purchase price of this identical property was to be paid. To get the money on

and assumed the form and appearance of a corporation," but that it is a voluntary organization, and "to be treated precisely as though it were an individual."

\* This includes the Pipe Line stock. Compare *infra*, p. 113, note.



these bonds, under the circumstances, required some remarkable financiering, not unlike that performed nearly a decade before by Mr. Addicks in putting out the first \$10,000,000 of Boston United Gas Bonds.

To accomplish this feat, a dummy corporation, called the New York Gas Improvement Company,\* was organized under the New York laws. This company, having previously made the necessary arrangements with the Coke Company, entered into an agreement on November 30, 1897, with the Central Trust Company of New York, by which the Trust Company agreed to furnish temporarily the necessary funds.† The preamble to this contract states explicitly that the above property is to be paid for out of the proceeds of the loan for which it is given as security. It sets forth that the Improvement Company "has agreed to endeavor to procure a loan in the aggregate amount of \$12,000,000, to enable the said New England [Gas and Coke] Company to purchase and acquire 18,500 shares of the par value of \$100 each of the capital stock of the Brookline Gas Light Company; . . . 5,176 shares . . . of the capital stock of the Dorchester Gas Light Company; . . . certificates of indebtedness of the said Brookline Gas Light Company, amounting to \$1,615,000, par value; Boston United Gas Bonds, first series, . . . to the amount of \$1,000,000; 1,382 shares . . . of the capital stock of the Jamaica Plain Gas Light Company, . . . and the entire capital stock of the Massachusetts Pipe Line Company; . . . and certain real estate in the town of Everett near the city of Boston; . . . and, also, certain other shares of said and other companies carrying on business in said State of Massachusetts, and to enable said New England [Gas and Coke] Company to erect plants for the manufacture of coke, gas, and other similar products

\* I shall hereafter refer to this company as the Improvement Company.

† This contract is printed in *About Boston Gas and New England Coke*. I have no means of testing the correctness of the printed copy.

upon said real estate and other real estate, . . . which it now owns or may hereafter acquire or have the right to build upon by purchase, lease, or otherwise."

The Improvement Company gave its own note for \$12,000,000 at 5 per cent. interest to the Trust Company, running eight months to August 1, 1898, with the option of renewing the note (upon paying the interest) for a further period of six months. In addition to the interest the Trust Company was to receive a commission of \$2,400,000, payable in the stock of the Coke Company at par; and, in case the note was renewed, an additional commission of \$600,000 of this stock. The Improvement Company agreed to deposit with the Trust Company \$12,000,000, par value, of the bonds and \$4,800,000 of the stock of the Coke Company for subscription, and then to procure an underwriters' agreement (satisfactory to the Trust Company) to take all these bonds at par with the stock thrown in as a 40 per cent. bonus before the Trust Company advanced the money on the \$12,000,000 note. These bonds and stocks were to be delivered to the underwriters through the Trust Company, and the proceeds applied to the payment of the note. Simultaneously with the making of this loan the Trust Company was to be made trustee for the holders of all the bonds, \$17,500,000,\* and the Coke Company was to execute a mortgage to the trustee, covering all the property, rights, franchises, contracts, stocks, and privileges then owned by the Coke Company, as well as all the additional real estate to be acquired by it. The bonds, of course, are to bear the certificates of the trustee, setting forth the fact and the conditions of the trust. The trust was completed and the mortgage executed on December 1, 1897. In addition to the interest on the temporary loan of \$12,000,000 the Trust Company will receive, therefore, from

\* Of the total issue of \$17,500,000 bonds, \$3,500,000 were to be reserved for enlarging and improving the property after the enterprise was started and \$2,000,000 given directly as part payment for the property put in trust.

\$2,400,000 to \$3,000,000 commission in the stock of the company, and the profits from the management of the trust for the full life of the bonds,—forty years.

The later financial history of the Coke Company cannot be given from unquestioned facts, but must be surmised from outward appearances. It is, of course, too early for the shares or bonds to be listed on the exchanges, but they are dealt in on the "curb" daily. It is generally supposed that the promoters had in large measure to be their own underwriters, and also have had to advance the greater part of the money to construct the huge works of the company now (August, 1899) nearing completion. It is well known that the market had broken badly before the bonds were ready for delivery to the underwriters on August 1, 1898, as planned. The price of shares has, for a year and more, varied from about 20 to 30,\* and that of bonds from 70 to 80. The general belief on the exchange is that these prices have been maintained only by the support of the market by friendly interests. At least, it has not seemed advisable yet to open either the shares or the bonds to public subscription. In the language of Mr. Whitney, not only has the public not been asked to contribute anything to the undertaking, but has not even "been let in."

It is equally difficult, for reasons already given, to form any exact idea of how great an investment the holders and pipes of the Pipe Line and the plant of the Coke Company represent. The Coke Company states that the combined plants are costing \$4,950,000, but refuses to answer any specific questions about "its private affairs." The inference the company wishes to have drawn is that it is putting the proceeds from the \$14,000,000 of bonds

\*Until recently the price of Dominion Coal shares followed closely that of the Coke Company's shares, as it was supposed that one of these enterprises depended on the other. A few months ago, however, Mr. Whitney and his associates organized a large iron and steel company in Canada, which they declare will be able to consume the total output from the Dominion Coal mines.

(always placed nominally at \$14,000,000) into the property placed in trust with the Central Trust Company and the works. On the basis of these figures, if the prices paid for the property placed in trust were reasonable, the amount of water injected into the capitalization for this experiment would be but \$17,500,000,—the amount of the stock. But it should not be forgotten that much of the capitalization placed with the Trust Company represents useless duplication, under direction of substantially the same persons as are now in control. On the other hand, no outsider can form any idea of how much the previous owners received for the stocks and securities put in trust.

The financial prospects of the new enterprise, so far as they rest on its independent coke and gas operations, are necessarily uncertain; and, if optimistic estimates are put forward by the promoters, they are likely to be weighed by investors with the caution needful for all such industrial experiments.\* The relation of the Coke Company to the gas companies of which it has secured control is a different matter, and one in which the public has a large interest and a right to full information. The control of these other companies may be a means of inducing investors to take hold of the new venture: it may also be a means of supporting it by appropriating any surplus earnings of the old companies. The second of these possibilities deserves brief consideration.

This control of the companies rests chiefly on two agreements; namely, the so-called voting trust of October, 1896, and the Boston-Brookline 10-per cent. guarantee of May in the same year. The legality of these contracts is already questioned both in the State and in the federal courts. It is morally certain that serious attempts will

\*In the pamphlet *About Boston Gas and New England Coke* a memorandum to the underwriters' agreement is quoted, which figures out an annual profit of some \$250,000 from the sale of coke and residuals alone, and a total profit sufficient to pay 4 per cent. dividends on the whole of the Coke Company's stock.

be made by the legislature at its next session to set the two contracts aside. The Gas Commission has irrevocably committed itself on the question of the 10-per cent. guarantee. Should these contracts be nullified by legislation or otherwise, the new experiment would apparently be thrown on its own resources. Meantime the expense of meeting such attacks is a heavy and an increasing burden to the Coke Company. In view of the over-capitalization of the Brookline Company and the smallness of the Dorchester and Jamaica Plain Companies, there would not seem to be great promise of any surplus from these companies for experimenting with new methods of production.

The Pipe Line Company\* is a nonentity: it does not propose to own any manufacturing plant, nor to distribute gas to consumers. Its franchise alone is valuable, as giving a right of way to the holders of other gas companies.

This leaves only the Bay State group of companies from which any surplus earnings could be drawn.† But it will be recalled that on these companies rests the burden of the \$12,000,000 of Boston United Gas Bonds, principal, interest, and sinking fund, with the equities in the companies belonging to the Bay State Company of Delaware, which guarantees the bonds. A glance at the finances of

\*This company issued its stock, \$1,000,000, without the consent of the Commission. Upon a ruling from the attorney-general that such action was illegal, it got the issue confirmed after a long contest. Doubtless the stock was technically paid for in cash, as the law requires; but in all probability it was paid for in fact out of the proceeds of the Coke Company's loan of \$14,000,000.

† Under present arrangements the duplicate pipes of the Brookline Company offer a peculiar temptation to one form of experiment at the expense of the other companies. The engineer of the companies estimates that at an expense of from \$1,000 to \$3,000 these pipes could be entirely detached from the illuminating system, and used directly to distribute coke-oven gas for fuel. The Coke Company avowedly holds this experiment in reserve any time that it promises better financial results than selling the gas to the other companies for enrichment, and as a menace to prevent the separation of the other companies from the Brookline Company. See *Legislative Hearing of 1898*, April 24, p. 42.

the Bay State Trust since its formation will throw some light on the point under consideration.

Leaving out of account entirely the charges for administering the trust, the following table condensed from a table\* on page 37 of the latest annual Report (1899) of the Gas Commission will give some idea of the finances of the trust, and of the estimated deficits to be made good by the Bay State Company of Delaware:—

<i>Calendar Years.</i>	<i>Required for Interest and Sinking Fund.</i>	<i>Dividends on Stocks held as Collateral.</i>	<i>Estimated Deficits.</i>
1889 . . . .	\$500,000.00	\$387,441.14	\$112,558.86
1890 . . . .	500,000.00	457,666.00	42,334.00
1891 . . . .	500,000.00	289,698.50	210,301.50
1892 . . . .	512,747.92	381,585.00	131,162.92
1893 . . . .	525,879.96	438,247.75	87,632.21
1894 . . . .	684,000.00	269,092.00	414,908.00†
1895 . . . .	678,500.00	578,780.00	99,720.00
1896 . . . .	673,150.00	412,073.25	261,076.75
1897 . . . .	667,900.00	573,955.75	93,944.25
1898 . . . .	663,000.00	579,232.25	83,767.75
Totals . . .	\$5,905,177.88	\$4,367,771.64	\$1,537,406.24

The table indicates that for the last five years the Bay State Company has had to make good a deficit on this account to the extent of nearly \$200,000 a year. It should not be forgotten, however, that meantime it has had issued to it \$2,000,000 of additional Boston United Gas Bonds, first series, without additional outlay on its part. These bonds were readily salable.‡ These unusual re-

\*In considering the table, it should be borne in mind that the bonds were not all put out at once, that the sinking fund did not go into operation until 1894, and that, in addition to the above dividends, the Bay State of Delaware had the interest on the \$4,500,000 obligation until near the end of 1893. That company also presumably received the dividends on the stock of the small Dorchester Company during a part of this time.

†I have corrected a palpable clerical error in this item in the Commission's report.

‡The affairs of the Bay State Company are kept so profoundly secret that no outsider can say how the deficit was actually met or even that it was met,

sources are now supposed to be exhausted; and, unless the Bay State Company of Delaware has a direct interest in the Coke Company, neither the holders of Bay State stock or of income bonds are likely to make good this deficit, in order to enable the Coke Company to carry on industrial experiments in entirely new fields. The inference from these figures is that under the old conditions these companies produced no surplus. Nor is it supposed that purchasing coke-oven gas under present contracts at the maximum legal rate will increase their net earnings, but will rather tend to maintain the present cost of gas to the companies, and consequently to the consumers, for half a century. These considerations point to the conclusion that the Coke Company must, in the last resort, depend on the efficacy of the new processes for its success.

But from the standpoint of the public interest the serious thing is that (leaving out of sight the inflation of the capital of the Brookline Company, which is not of an unusual sort) the gas consumers of Boston, as the result of their supposed gains from the agitation of 1898, will have to face an increase of \$85,000,000 or more of capital, and that the companies are in such a situation now as to enable them to evade almost all the corporation laws of the State, and to nullify, or, at least to make very much more difficult than ever before, the attempts to control the gas industry in the public interest. A glance at the table below (page 117) will show that, if the present unity of management is to be preserved, the Boston gas consumers must, until 1937 (when the Boston United Gas Bonds are paid off), pay dividends and interest on \$47,169,900.\* This

except that it is fair to presume that the trust would have been dissolved, had the interest not been paid. The company a short time ago attempted to issue an additional \$50,000,000 of stock, for which it was thrown off the exchange lists. Whether it raised any money from this stock or actually issued any of the shares is not known.

\* This estimate includes nothing for the profits from the sale of coke. The coke and gas are, of course, strictly speaking, products with a joint cost of manufacture. As already indicated, the company estimates a profit of about a quarter of a million dollars from coke and residuals.



includes simply that portion of the total capitalization of perhaps \$160,000,000, which must have its reward in order to give no legal grounds for dissolving some of the corporations or trusts. Among other things left out under this supposition are all of the stock and income bonds of the Bay State Company of Delaware. But even this minimum of more than \$47,000,000 is probably something like four times the actual investment in the field and more than five times the amount of capital the Gas Commission, with its liberal policy, will allow the Massachusetts corporations to issue. If the maximum capitalization now authorized by the Bay State Company of Delaware and all of the capitalization of the Coke Company be included, the nominal capitalization is \$160,309,600, or more than seventeen times the amount necessary, in the judgment of the commission, to supply the needs of the field.\* Apart from the wholesale evasion and circumvention of the corporation laws, we have here an extreme case of the evils of over-capitalization. For we have all the gas interests in Boston in the hands of a few men who, according to their own statement, have none of their own money at stake,—except so far as they are individual purchasers of Coke Company bonds,—and who are sure of all the gains, in case there are gains. Meantime these men are managing the property with virtually no legal responsibility to the economic owners of it or to the public, and under circumstances that may at any time offer irresistible temptations to raid the stock market or invade the legislature. The form of organization and management is likely at any time to make the properties

\*It should be observed in this connection that the eight Massachusetts corporations in the field, having specific legislative authority to issue an aggregate of \$17,000,000 of share capital, have in fact issued but \$9,306,600. To put out the remaining \$7,693,400, the companies must obtain the consent of the commission, pay the capital in cash, and invest it under the supervision of the commission. Of this unissued capital the Pipe Line Company is entitled to \$4,000,000. Had the promoters wished to experiment in simple and straightforward fashion, the way was here open to them.



a football for the market speculator, lobbyist, and promoter, who, when occasion offers, knows how to save himself at the expense of the investing or consuming public.

The two New York Trust Companies now hold 98.8 per cent. and a large part of the debt of all the eight Boston companies. The occasion for possible conflicts in the courts, as well as something of the legal complexity of the situation, may be gathered from the following tabular statement, put together by the Gas Commission : \* —

TABLE SHOWING THE RELATIONS OF THE STOCKS OF THE COMPANIES . . . TO OTHER SECURITIES BASED WHOLLY OR IN PART ON THEM.

Bay State . .	\$2,000,000	Deposited with Mer- cantile Trust Company of New York	Boston Gas Bonds	\$12,000,000
Boston . . .	2,500,000		Income Bonds . .	2,000,000
South Boston .	440,000		Bay State of New	} 1,000,000†
Roxbury . .	600,000		Jersey Stock . .	
	\$5,540,000		Bay State of	} 50,000,000‡
			Delaware Stock	
		\$5,533,900		
Brookline . .	\$2,000,000	Deposited with Central Trust Company of New York	New England Gas and Coke Company:—	
Dorchester .	519,000		Bonds issued . .	\$14,000,000
Jamaica Plain	250,000		Bonds authorized	17,500,000
Mass. Pipe Line	1,000,000		Shares issued . .	14,000,000‡
	\$3,769,000		Shares authorized	17,500,000
		\$3,505,800		

This summary, considered in conjunction with the long-time contracts between the companies, suggests also something of the legislative difficulty of dealing with the problem.

For this unstable, dangerous, and chaotic condition of affairs, two chief remedies are suggested. The first is that the Commission should simply reduce the price of gas to a figure that will give no more than a fair return on the capital actually invested, and, in this indirect way,

\* *Fourteenth Annual Report*, p. 40.

† Transferred to Bay State of Delaware.

‡ The board has been unable to reliably determine the present amount of these certificates.

squeeze the water out of the capitalization. The only legal limit on the Commission in this particular, under proper form of procedure, is the constitutional provision that the price fixed must be reasonable. The difficulty is not a legal but an administrative one. No Commission will knowingly wreck the companies under its supervision. Much less will it do so in a case so involved as this, where it is not only impossible to protect the innocent, but even to know who the innocent are. Furthermore, such a mode of procedure, if it resulted in bankruptcy, would aggravate rather than cure the evil. So long as the Coke Company's form of organization is permitted to exist alongside of the Pipe Line charter and the duplicate pipes of the Brookline Company, bankruptcy simply offers additional temptation and opportunity to the industrial adventurer. But a still more practical objection to this proposal is that no Commission in the present involved circumstances can possibly tell what a fair price is. A fair price ought to give a just return, under proper management, to capital honestly invested. But a necessary preliminary to determining such a price is an accurate knowledge of how much is invested, how efficient and how honest the management is, how much is earned, and, in case of poor management, the responsibility for it. None of these things are attainable under present conditions. The Gas Commission, it is true, is armed with almost unlimited inquisitorial powers; and it is hard to make the public or even the legislature believe that an honest and efficient commission with such power cannot have a confident and correct judgment on these matters. So far as authority goes, the Commission is not lacking at this point. But the complexity of the situation is such as to make the practical difficulty insuperable. A glance at the inter-company contracts and trading relations\* of so comparatively simple a combination as the Bay State

\*See this Journal, vol. xiii. pp. 36-39.

Trust will show that the task of getting the necessary information for efficient regulation is an impossible one. The Commission in its latest annual report,\* in speaking on this point, says, "These extraordinary relations [of the companies] afford abundant opportunity for confusing and concealing from the public their true relations and the facts about their actual profits; and . . . this confusion and concealment would be much more difficult, if not impossible, were they combined in law and in fact into a single responsible corporation readily amenable to the general laws of the Commonwealth." It should be recalled that these relations and inter-company contracts have never been declared illegal by the legislature or the courts, and that so far the Commission has asked the legislature in vain to make such contracts subject to the approval of the Commission.

The propositions that the legislature should simply forfeit the charters of the companies as a penalty for past misdeeds, or should force consolidation under threat of forfeiting charters upon ultimate analysis, run up against the same difficulties as the previous suggestion, and fail in the attempt to apportion the capitalization satisfactorily. With the complexity of present legal relations, voluntary consolidation seems to be out of the question. If legal consolidation takes place, it must be compulsory, and effected only by threat of destroying the companies. But the companies insist, with great show of reason, that the courts stand open to make them obey the law, and that, so long as they are within the law, the forfeiture of charters is, if not an unheard of, at least a harsh and severe weapon for the legislature to undertake to wield.

The difficulty of distributing so many millions of indivisible property among so many unequally interested persons prevented the Commission last winter from agreeing

\* For 1899, p. 41.

upon any basis for capitalizing a consolidation of the companies. Clearly, to compel consolidation under threat of revoking charters would be for the legislature to enter upon a most dangerous career. Furthermore, for the legislature to put the power of fixing the capitalization for a consolidation upon the Gas Commission, would be to place a strain upon that body such as no similar commission ever had to endure, one the outcome of which it would be hard to predict. Nevertheless, legal consolidation of the corporations, with some regulation of such organizations as the Coke Company, seems the only possible remedy. The present managers of the property have done, and are doing, the very things which the legislature has been trying for decades to prevent. They have so far evaded the corporation laws and traditions of the State; but, in doing so, they have brought about a condition of things that is unstable, and, in the present condition of public sentiment, unendurable. Legal consolidation on some basis seems inevitable. When it comes, it is safe to predict that capitalization will in fact, but not in form, be left to the will of the companies or discretion in the matter be given to the Commission.

In order to consider intelligently the probable outcome of imposing such a trust upon the Commission, it will be necessary to take up more fully than we have yet done both the theory of Commission control and the history of this Commission. The relation of the Commission to present evils and to past legislation must also receive special attention before we can form a safe opinion of the ability of the Commission to wrestle successfully with so great a problem. These matters are reserved for future consideration.

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## NOTES AND MEMORANDA.

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### THE END OF MUNICIPAL STREET RAILWAYS IN DETROIT.

As was anticipated in the last issue of this Journal,\* the Michigan Supreme Court on July 5 declared invalid the act permitting the city of Detroit to own and operate street railways. Subsequently the attempt to create a so-called municipal commission to take over the roads, and operate them in trust for the city until a constitutional amendment should be passed, came to grief, the proposition being too absurd to merit serious consideration from a legal point of view. Moreover, the feeling prevailed that the difference between the real value of the properties and the purchase price of \$17,500,000 left a very considerable margin of profit for the promoters of the scheme.

Meantime the street railway owners, who had reduced fares to three cents in order to influence the council and public sentiment, took revenge for failure by raising fares from the prevailing rate of six tickets for twenty-five cents to a straight five-cent fare, except on those lines where the charter calls for eight tickets for a quarter. This led to an attempt to reduce fares by ordinance, and to a restraining suit in the United States courts. The street railway question, while thus disposed of in one aspect, is not settled in others, and will remain an issue in future municipal elections and possibly in wider circles.

The municipal ownership question, however, is dead; and municipal railroading must receive its first trial in some State that has not had in the past such sad experiences with governmental industries as to provide against them in its organic law.

CHARLES MOORE.

\* See the note on this subject by the present writer in the issue for July, 1899, p. 433.

HEREAFTER the dates of issue for this Journal will be November, February, May, and August; and it will be the endeavor of the editors to bring the copies into the hands of readers promptly at the beginning of these months.

The amplified and annotated plan for the bibliography, which is adopted for the first time in this number, is not carried out as completely as the editors have desired; but it is hoped that with time and experience it will be got into better working order. Early notice, with all ascertainable bibliographical details, will continue to be given of new and forthcoming publications; and with this first notice, or in a subsequent issue when necessary, summary information will be furnished as to the character, contents, and authorship of books, as well as of periodical publications. Some errors and deficiencies are inevitable, but it is hoped that substantial aid will be afforded in following the growing and widely scattered literature of the subject.

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THE act establishing the United States Department of Labor provides, among other things, that the commissioner shall ascertain and report what articles are controlled by trusts or other combinations of capital, business operations, or labor, and what effect such combinations have on production and prices.

In conformity with this provision, Commissioner Wright of the Department of Labor has undertaken an investigation of the economic conditions surrounding industrial combinations. Professor J. W. Jenks, of Cornell University (who, it will be recalled, is serving as expert for the Industrial Commission on trusts and combinations), is co-operating with Commissioner Wright in this investigation. The inquiry is already under way, and with every prospect of success. Not only is the general public, whether opposed to combinations or in favor of them, desirous of securing the facts on the economic conditions before and after combinations have taken place, but the managers of great corporations are also to a large degree

favorable to the investigation, because they prefer to have future legislation based on facts rather than on assumptions.

The scope of the pending investigation is, in the main, economic: nevertheless, other aspects of the situation will also be covered. The chief inquiries relate to the wages formerly paid at any one time by the members of a combination, and the wages paid subsequent to the organization and at the present time; the prices of the products of the combination before and since organization and the cost of raw material; the number of middlemen before and since organization; the commissions paid at different times; the discounts allowed; the amount of output; the quality and character of output; the number of employees engaged formerly and at the present time; the plants which have been discontinued in order to perfect combination; the cost of the plants included, both active and suspended, as well as the cost of reproducing plants equal in capacity to the present active plants.

Inquiries are also made to ascertain the amount of active or working capital; the capital stock, with its various subdivisions into preferred, treasury, and common stock; the considerations for these issues,—whether property, service, money, franchise, good will, or other matters; the proportion of stock held by large and small stockholders; and all facts relative to bonds, including the total amount of bonds authorized, issued, paid off and outstanding, rates of interest, and the like.

The investigation will also seek to obtain a complete list of the individuals, firms, or corporations which united to form any particular organization; and it will seek to present as complete a list as possible of all trusts or combinations in existence at the present time, with mention of the States where incorporated.

The department undertakes this investigation in its usual careful manner, and with a view solely to the collection and presentation of pertinent facts. It will consider its returns entirely confidential, simply tabulating and presenting for public use the statistical results of the investigation. The investigation is probably one of the most difficult the department has ever undertaken; but the success attending other



recent inquiries, not dissimilar in character, relative to the cost of production, consumption, and other economic conditions of gas, water, and electric plants under municipal and private control, warrants the expectation that the present inquiry will yield results of no less value.

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THE United States Tariff Act of 1897 contained two sections looking to reciprocity agreements: Section 3, authorizing the President to reduce duties on a few enumerated commodities; and Section 4, authorizing the conclusion of treaties within certain limits, but requiring the approval of the Senate. Agreements of both kinds have now been made with France, and, unless ratification should be refused, will regulate the commerce with that country.

Section 3 of the so-called Dingley Act looked directly towards a treaty with France; for the articles on which it permitted reductions in duty were mainly of French origin, such as crude tartar, brandies, champagne, wines, and paintings, statuary, and the like. Within less than a year (in May, 1898) an agreement was reached, by which these articles, with the exception of champagne, were admitted to the United States at the reduced rates; while certain American articles, among which canned meats and pork products were the most important, were admitted to France at the rates of her minimum tariff. It will be remembered that in 1892 France had put an end to her former arrangements for treaty tariffs, and had established a maximum and a minimum tariff, the latter to be used in negotiations with foreign countries.\* A limited application of the minimum rates was secured for the United States by the agreement of 1898.

A further extension of the reciprocity arrangements has been secured by the treaty concluded in July of the current year. This provides for reductions in duty by both countries over a considerable range of articles; but in neither case to the full extent contemplated as possible by their existing leg-

\* See this Journal, vol. vi. p. 338



isolation. The United States does not accord to France the full reduction of 20 per cent. authorized by the Dingley Act. It is officially stated that the reductions, which cover more than a hundred articles, in some cases amount to 5 per cent., in others range from 15 to 20 per cent. Champagne still remains at the unabated rate: no concession was made here by the United States, since France kept some articles untouched in her own concessions. France, on her part, concedes not the whole of her minimum tariff, but only the major part of it. Certain agricultural or semi-agricultural products are withheld, in accord with the policy of protection for agriculture which marked the French legislation of 1892. The staple agricultural products were then put once for all into the maximum tariff; and, even as to such as were left for the minimum tariff, no relaxation is now made. And, consequently, French champagne is still mulcted for the full American duties,—not in itself a matter to be poignantly regretted. The new treaty of 1899 needs to be ratified both by the United States Senate and by the French Assembly before its rates come into operation; and, pending such ratification, no further details have been published than those noted.

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In the recently issued Bulletin of the International Institute of Statistics, M. Jacques Bertillon makes a contribution to an interesting subject not easily amenable to statistical treatment,—the variations in the birth-rate in different strata of society. Statistics on this subject have usually proceeded by occupations, contrasting the birth-rates in the occupations of the well-to-do and in those of the working classes. M. Bertillon proceeds by the geographical method,—contrasting the districts where the well-to-do live with the districts where the poor live. For the purposes of his inquiry the administrative subdivisions of four great cities, Paris, Berlin, Vienna, London, were classified according to the degree of ease among their inhabitants. The criteria of ease on which the classification rested were such as existing statistics afforded,—the average

number of servants per household, the average rental of domiciles, the number of inhabitants per occupied room, and the like; and, though the same data were not available for all the cities, a sufficient basis for classification of this general sort was at hand in each case. In Paris, to take an example, the *arrondissements* were set down as very rich, rich, comfortable, and so on, down to very poor, from the combined evidence of five criteria,—the number of servants per household, the number of formal marriage contracts per thousand marriages, the proportion of workmen among the inhabitants, the number of persons per room, and the proportion of recipients of poor relief. For Berlin the average rental of domiciles and the number of persons per room were the main criteria; for Vienna, evidence substantially the same as for Paris. For London the results of Mr. Charles Booth's investigations of earlier date were used. As to each district so classified, the number of births annually per thousand women was computed.

The result uniformly was that the birth-rate was lowest in the richest districts, highest in the poorest districts. So much was to be expected; but the regularity of the variations and the difference between the extremes were remarkable. Thus for Paris (where the classification could be most carefully carried out) the number of births per thousand women between the ages of fifteen and fifty was, for the period of 1889-93:—

In 5 very poor <i>arrondissements</i>	108
In 3 poor "	95
In 5 comfortable "	72
In 2 very comfortable "	65
In 4 rich "	53
In 1 very rich "	34

To check the possibility of error due to the absence from the city of the rich during part of the year, and especially during the summer, a similar calculation was made for the single month of April, 1891 (when a census was taken), and averages were computed for the inhabitants then present; with a result almost identically the same as that for the longer period.

For the other cities the figures were of the same sort. In Berlin for the period 1886-94 the births per thousand women of child-bearing age were:—

In 2 very poor <i>Standesämte</i>	157
In 3 poor "	129
In 4 comfortable "	114
In 3 very comfortable "	96
In 3 rich "	63
In 1 very rich "	47

In London Mr. Booth's materials and classifications showed birth-rates similarly:—

In 5 very poor districts	147
In 5 poor "	140
In 3 comfortable "	107
In 6 very comfortable "	107
In 7 rich "	87
In 2 very rich "	63

In Vienna the basis of computation was somewhat different, —births had to be computed per thousand married women, not women of child-bearing age; but the result was of the same character, namely:—

In 4 very poor <i>Besirke</i>	200
In 4 poor "	164
In 3 comfortable "	155
In 2 very comfortable "	153
In 5 rich "	107
In 1 very rich "	71

These figures represent the average birth-rates in the districts classified under the same head; and the averages, it appears, arrange themselves, without exception, according to the poverty or richness of the inhabitants. For the individual districts the correspondence is not always so close; yet the decline in the birth-rate with rising ease is subject to remarkably few exceptions. It is remarkable, also, that the greatest difference between extremes is seen in the rival cities of Paris and Berlin. Though the general birth-rate is much lower in Paris,—an average of 79 as compared with 102 in Berlin,—the birth-rate of the poorest Paris district is three times that of the richest; and so the birth-rate of the poorest Berlin district is three times that of the richest.

THE Report of the Indian Currency Committee, dated July, 1899, not only reaches a conclusion in favor of the adoption of the gold standard in India,—so much was well-nigh inevitable in view of the course of events since 1893,—but makes recommendations also as to the mode in which the new standard is to be prepared for and maintained. The occasion for the appointment of the committee had been the submission by the Indian government in 1898 of certain proposals for the strengthening of the value of the rupee at 16*d.*; while other proposals looking to the same end were also presented to the committee for consideration. All these schemes proceeded more or less by indirection, looking to the establishment of a gold standard by other methods than those which a European country might be expected to follow,—the abundant coinage of gold, and the convertibility of other money in gold. Thus the Indian government proposed to borrow up to twenty million pounds, and to remit at once five millions in gold to India towards building up a government fund for eventual use. Meanwhile rupees were to be melted down, and a contraction of the currency in India brought about by way of lessening the strain on the eventual gold standard. But for the moment gold was not to be made a legal tender in India, and the rupee was simply to be held at its present value of 16*d.* Another proposal was for the redemption of rupees, not in every-day coin, but—at the government's option—in gold bars of high value. Still another was for the redemption of rupees in sterling exchange, not less than £1,000 in any one transaction. Both of the last-mentioned looked to the use of gold in India not for every-day transactions, but chiefly for the settlement of international balances.

The committee express themselves “in favour of making the British sovereign a legal tender and a current coin in India,” and of coining gold freely at the Indian mints. The rupees should remain legal tender without limit, as five-franc pieces are in France and dollars are in the United States. The government should not be bound by law to redeem rupees in gold; but it should make its gold available for foreign remittances “under such conditions as the circumstances of the time may require.” Meanwhile no contraction of rupees, such

as the Indian government proposed, should take place, the committee believing not only that there is room for circulation in India for the whole existing stock, but that it will need from time to time to be enlarged. No expectation is entertained that gold coins will find their way into general circulation in considerable amounts, and it is not feared that the newly coined sovereigns will be largely hoarded. Nor, on the other hand, is it expected that rupees will be tempted in material amounts from former hoards. The rupee is to retain its present rating of 16*d*. As to the crucial question of the amount of gold to be accumulated in carrying out this policy, no specific recommendation is made. Evidently, a tentative procedure is had in view; for the immediate borrowing of large amounts, as proposed by the Indian government, is condemned. A stock of gold is expected to be gradually accumulated out of surplus revenue,—a procedure which must subject the whole operation to all the uncertainties of the industrial and political future.

For the student of monetary phenomena, it is of interest to note that the committee find, in the course of Indian trade since 1893, no evidence to support "the theory that large exports are incompatible with a rise in the rate of exchange"; though it is pointed out that the period, disturbed as it was by years of famine and plague, can yield only negative evidence. So far as China is concerned,—where exchange has continued to fall with the price of silver,—"evidence has been laid before us which shows that prices and wages have risen in China since silver has fallen in price, and the local copper currency has appreciated in terms of silver."

## RECENT PUBLICATIONS UPON ECONOMICS.

[Chiefly published or announced since July, 1899.]

### I. GENERAL WORKS, THEORY AND ITS HISTORY.

- CLOW (F. R.).** Economics as a School Study. [In Economic Studies, publ. by Amer. Econ. Assoc.] New York: Macmillan Co. 12mo. pp. 68. 50 cts.
- EULENBURG (Fr., Privatdozent).** Zur Frage der Lohnermittelung. Eine methodologisch-kritische Untersuchung. Jena: G. Fischer. 8vo. pp. 156. 3 m.
- GRAPPOLI (Dott. Alessandro).** Saggi di Sociologia. Con prefazione del Prof. A. Asturaro. Milan: Batiselli. 12mo. pp. 177. 4 fr.
- [Essays on the fundamental character of social phenomena, the aims of sociology, materialism in history. . . .]
- HOBSON (J. A.).** The Economics of Distribution. New York: T. Y. Crowell & Co. 8vo. \$1.75. [Announced.]
- LEMBKE (J. C.).** Ueber einige Bestimmungsgründe des Arbeitslohnes. Jena: G. Fischer. 8vo. pp. 134. 2.50 m.
- MAYO-SMITH (Richmond).** The Science of Statistics. Part II: Statistics and Economics. New York: Macmillan Co. 8vo. pp. 480. \$3.
- [Part I, Statistics and Sociology, was published in 1896. The treatment here continues to be historical and statistical, and a mass of helpful information is brought together. Book I, Consumption and Production; II, Exchange; III, Distribution.]
- SMART (William).** The National Income and its Distribution. New York: Macmillan Co. [Announced.]
- STALLARD (J. H.).** The True Basis of Economics, . . . being a Correspondence between President D. S. Jordan and Dr. D. H. Stallard on the Merits of the Doctrine of Henry George. New York: Doubleday & McClure Co. 8vo. pp. 130. 50 cts.
- [A brief letter by President Jordan, with comment at large by Dr. Stallard.]
- In Periodicals.*
- BLOCK (M.).** Le travail en soi, on ne paie pas le travail, mais ses résultats. Journ. des Écon., Aug.
- BÖHM-BAWERK (E. v.).** Einige strittige Fragen der Capitalstheorie. II. Zeitschr. Volks., Soc.-Pol., und Verw., 8, Heft 4. [With special attention to criticisms by Lexis. A concluding article is to follow.]
- COLETTI (F.).** Psicologia ed economia politica: prime linee d'una teoria psicologica dell'emigrazione. Riv. Ital. di Sociol., May.
- CUMMINGS (John).** The Theory of the Leisure Class. Journ. Polit. Econ., Sept. [Critical examination of the principles underlying Professor Veblen's volume having that title.]
- DECHESNE (L.).** La productivité du travail et les salaires (*suite*). Rev. d'Econ. Pol., May, June. [Concluding articles. The ex-

- tended inquiry is partly theoretical, largely historical and statistical.]
- DUVERGER (Yéron). Forbonnais. Journ. des Econ., Sept. [M. Duverger, a grand-nephew of Forbonnais, sketches his career and writings in anticipation of a work in preparation on the same subject.]
- FLUX (A. W.). Saving and Spending. Econ. Rev., July. [A reply to A. J. Hobson.]
- HITIER (Professor at Grenoble). Sismondi: ses doctrines économiques et sociales. Rev. d'Econ. Pol., June. [A careful estimate of Sismondi's place in the history of economics.]
- KULISCHER (J.). Zur Entwicklungsgeschichte des Kapitalzinses. Jahrb. Nat. Oek., 18, Heft 3. [Commerce, i.e. "Circulationsprozess," the source of profits from early times to the 18th century. A discussion of modern periods is to follow.]
- LEXIS (W.). Ueber einen neuen Versuch einer Arbeits- und Werththeorie. Jahrb. f. Gesetzg., 23, Heft 3. [Review, with dissent, of L. v. Buch's book on Elemente der politischen Oekonomie (Leipzig, 1896), in which the principles of mechanics are applied to economics.]
- SIDGWICK (H.). The Relation of Ethics to Sociology. Intern. Journ. Ethics, Oct. [Ethics found not to be merged in sociology; with trenchant criticism of some modes and ends of sociological theorizing.]
- SOMBAERT (W.). Die gewerbliche Arbeit und ihre Organisation. I. In natur- und socialwissenschaftlicher Betrachtung; bisherige Literatur; II. Grundzüge einer Principienlehre der ökonomischen Technik; III. Wirtschaft und Betrieb; IV. Betrieb und Betriebsformen; V. Wirtschaftsstufen, Systeme, Formen. Archiv Soz. Gesetzg., Heft 1, 2, 3, 4. [To be continued.]

## II. SOCIAL QUESTIONS, LABOR AND CAPITAL.

- BERNDT (P.). Die Arbeitslosigkeit, ihre Bekämpfung und Statistik. Berlin: A. Trotschel. 8vo. pp. 103. Charts. 2 m.
- BOILLEY (Paul). De la production industrielle. Association du capital, du travail, et du talent. Paris: F. Alcan. 12mo. pp. 216.
- CHANCE (W.). Our Treatment of the Poor. London: P. S. King & Son. 8vo. pp. 240. 2s. 6d. [Contents: A Model Union; Old Age Pensions; The Poor Law and Friendly Societies; Public and Private Charity; In Defence of Poor Law Schools. From the point of view of the English Charity Organization Society.]
- DENGEAN (Georges). L'assurance contre le chômage. Paris: Guillaumin. 8vo. pp. 403. 6.50 fr.
- ERTL (M.) and LICHT (St.). Das landwirtschaftliche Genossenschaftswesen in Deutschland. In seinen gesamten Einrichtungen auf Grundlage persönlicher Wahrnehmung dargestellt und als Handbuch für die genossenschaftliche Praxis bestimmt. Vienna: Manz. 2 vols. 8vo. pp. 386, 657. [The first volume, by Dr. Ertl, describes credit societies; the second, by Dr. Licht, describes the others, for buying, selling, and the like. The authors are active in the Austrian movement, and have prepared this elaborate handbook for the instruction of Austrian co-operators.]
- FESCH (Paul). L'année sociale en France et à l'étranger. Première année 1898. Paris: Lecoq. 18mo. pp. 668. 3.50 fr. [The first of an annual series which will follow legislation and literature on social subjects in France and in other countries.]
- KLEY (W.). Bei Krupp. Eine sozial politische Reiseskizze unter besonderer Berücksichtigung der Arbeiter-Wohnungsfürsorge. 8vo. pp. 175. Illustr. and charts.



Leipzig: Duncker & Humblot. 3.30 m.

KUDELKA (Th., Dr.). Das landwirthschaftliche Genossenschaftswesen in Frankreich. Berlin: Puttkammer & Mühlbrecht. 8vo. pp. 187.

[The success of these societies examined by a Landwirth, especially as regards the purchase of materials and supplies; with conclusions favorable to them.]

MENDELSON (Max, Ph.D.). Die Stellung des Handwerks in den hauptsächlichsten der ehemalszünftigen Gewerbe. Jena: G. Fischer. 8vo. 4.50 m.

MERLIN (Roger). Les associations ouvrières et patronales. Paris: Rousseau. 8vo. 8 fr.

[An essay which received a prize from the Musée Social in 1897, and has since been amplified. "Syndicats professionnels, agricoles, coopératives, mutualité," are severally examined in various countries.]

METCALF (J.). The Case for Universal Old Age Pensions. With introduction by Charles Booth. London: Simpkin, Marshall. 8vo. pp. 228. 3s.

NICCOLI (V., professore di economia rurale in Milano). Co-operative Rurali. Milan: Hoepli. 18mo. pp. 361. 3.50 l.

[A hand-book and summary as to Italy.]

RIS (J. A.). Tenement Life and Poverty in New York. Boston: Houghton, Mifflin & Co. 8vo. [Announced.]

ROWNTREE (J.) and SHERWELL (A.). The Temperance Problem and Social Reform. London: Hodder & Stoughton; New York: Thomas Whittaker. \$2.

[An exposition of the economic causes of excessive drinking, and a criticism, from that point of view, of proposed remedies.]

SINGER (Karl, Sekretär des Statist. Amtes von München). Die Wohnungen der Minderbemittelten in München und die Schaffung unkündbarer kleiner Wohnungen. Mit Abbildungen älterer und neuerer Arbeiterwohnquartiere. Munich: J. Lindaur. 8vo. .50 m.

THOMPSON (W.). Housing of the Working Classes; with Detailed Description of the Richmond Municipal Cottages. London: P. S. King & Co. 8vo. 2s. 6d.

[The author, alderman of Richmond, England, publishes this report on municipal cottages, with discussion of general phases of the question in England.]

WEBER (Max, professor in Heidelberg, editor). Die Landarbeiter in den evangelischen Gebieten Norddeutschlands. Heft 1: Sachsen, von S. Goldschmidt; Heft 2: Schleswig-Holstein und Hannover. Tübingen: H. Laupp. 8vo. 5 m., 6 m.

[A series of "objective" inquiries on the condition of German agricultural laborers, conducted with the aid of Lutheran clergymen and with the co-operation of the Evangelisch-Sozial Kongress.]

WENGLER (A., Reg. Rath). Das deutsche Arbeiterrecht in seiner Gestaltung durch die neue Gesetzgebung über die Arbeitsversicherung. Für den Handels- und Gewerbestand dargestellt. Leipzig: Handelsakademie. 8vo. pp. 112. 2.75 m.

#### *In Periodicals.*

BERNSTEIN (E.). Die Arbeitstheilhabschaft in der britischen Genossenschaftsbewegung. Archiv f. Soz. Gesetzg., 14, Heft 3, 4.

BLANCHEVILLE (H.). Les associations ouvrières de production. Rev. d'Econ. Pol., May. [Brief essay on the subject at large.]

BOOTH (Charles). Poor Law Statistics and Old Age Pensions. Econ. Journ., June. [Reply to C. S. Loch, as to decline of pauperism among the aged.]

BORCHT (R. v. d.). Die Reform der deutschen Invaliditäts- und Arbeitsversicherung. Jahrb. Nat. Oek., 18, Heft 4. [The provisions of the act of June 15, 1899, amending the old-age pension act of 1889.]

CARLILE (W. W.). Democracy in New Zealand. Econ. Rev., July. [Land policy and labor on public works.]

- COHN (G.). Die Entwicklung der Bestrebungen für internationalen Arbeiterschutz. Archiv f. Soz. Gesetzg., 14, Heft 1, 2.
- HOFFMANN (E.). Der gegenwärtige Stand der Arbeitslosenversicherung in der Schweiz. Archiv f. Soz. Gesetzg., 14, Heft 2.
- FENYVÉSSY (J. de). Les offices du travail. Rev. d'Econ. Pol., May, June. [List of existing bureaus in various countries, analysis of their functions, and review of their publications.]
- FRANÇOIS (G.). People's Banks in Italy. Journ. Polit. Econ., Sept.
- GREISZL (Fabrikdirektor). Wirtschaftliche Untersuchungen über die Belastung der deutschen Industrie durch die Arbeiter Versicherungs- und Schutzgesetzgebung. Jahrb. f. Gesetzg., 23, Heft 3. [Ziffermäßige Höhe; Verhältniss zu Kosten, Kapital, Gewinn; Einfluss auf den Export. . . .]
- HENROTIN (Ellen M.). The Attitude of Women's Clubs and Associations toward Social Economics. Bulletin Dept. of Labor, July. [With list of 1,283 women's clubs in the United States.]
- LAMBRECHTS (H.). La législation sociale en 1898. Rev. d'Econ. Pol., July. [First article: covering Germany.]
- MACLEAN (Annie M.). Factory Legislation for Women in Canada. Amer. Journ. of Sociol., Sept. [Summary description.]
- MUSÉE SOCIAL. Les chevaliers du travail. Chronique du Musée Social, June. [The Knights of Labor,—history and policy of the organization.]
- NOTHARDT (J.). Der gewerbliche Arbeitervertrag und seine Beschränkungen. Zeitschr. ges. Staatsw., 55, Heft 2. [Analysis of the provisions of the German Gewerbe-Ordnung.]
- PARÉTO (V.). Le droit de grève du personnel des services publics. Journ. des Econ., Aug.
- PREVEY (C. E.). Economic Aspects of Charity Organization. Annals Amer. Acad. Pol. and Soc. Sci., July.
- RAUCHBERG (H.). Die Berufs- und Gewerbezahlung im deutschen Reich vom 14 Juni, 1895. I. Methode; II. Berufsgliederung und soziale Schichtung. Archiv f. Soz. Gesetzg., 14, Heft 3, 4.
- ROCHETIN (E.). Encore les imprévoyants de l'avenir: les vétérans des armées de terre et de mer. Journ. des Econ., July. [The insufficient actuarial basis of the society for old age pensions entitled "Les Vétérans. . . ."]
- ROCKELL (F.). Les Boulangeries co-opératives en Angleterre. Rev. d'Econ. Pol., July.
- ROEDERN (Reg. Assessor). Ueber-sicht über die neueren Bestrebungen und Reformvorschläge in der Wohnungsfrage. Jahrb. f. Gesetzg., 23, Heft 3. [A summary as to Germany, with appendix giving the text of bills and statutes.]
- SMITH (E. J.). The New Trades Combination and the Interests of the Consumer. Econ. Rev., July. [The originator of the New Combination maintains that it safeguards the consumer's interests.]
- WESTERGAARD (H.). Christian Social Work in Denmark. Econ. Rev., July.
- WOLFF (H. W.). Old Age Pensions. Econ. Rev., July. [Rejecting plans for universal pensions, and advocating self-help and reform of the poor laws.]
- WOOD (A. F.). Old Age Pensions in France. Nineteenth Cent., July. [Summary of proposals now under discussion.]
- YULE (G. U.). An Investigation into the Causes of Changes in Pauperism in England, chiefly in 1871-91. Journ. Roy. Statist. Soc., June. [The decrease in pauperism traced to diminution of outdoor relief.]
- UNSIGNED. Entwurf eines Invalidenversicherungsgesetzes mit dem Texte des Gesetzes . . . von 1889. Ann. des Deutsch. Reiches, 1899. Nos. 7-10. [The text of the act of 1889 and of the bill of 1899 presented in parallel columns; the Begründung of the bill of 1899 being also printed.]

## III. SOCIALISM.

EICHTHAL (Eugène d'). *Socialisme et Problèmes sociaux*. Paris: Alcan. 18mo. 2.50 fr.

[A collection of articles reprinted from periodicals, discussing briefly and opposing various phases of socialism.]

JAURÈS (J.). *Action socialiste, première série. Le socialisme et l'enseignement. Le socialisme et les peuples*. Paris: G. Bellais. 18mo. 3.50 fr.

[Reprinted articles and addresses expounding and advocating the radical program in France.]

MASARYK (Prof. in Prague.) *Die philosophischen und sociologischen Grundlagen des Marxismus: Studien zur sozialen Frage*. Vienna: K. Konegen. 8vo. pp. 615. [Contents: 1. Der historische Materialismus; 2. Wesen und Entwicklung der wirtschaftlichen Organisation; 3. Die ideologischen

Systeme; 4. Die marxistische praktische Kritik.—A critical attack on the Marxian system.]

*In Periodicals.*

FISHER (H. A. L.). *Economic Fatalism*. *Econ. Rev.*, July. [Rejecting the argument of collectivist fatalism.]

LABRIOLA (Ant.). *A proposito della crisi del marxismo*. *Riv. Ital. di Sociol.*, May. [Review of Masaryk, with dissent.]

SIMKHOWITSCH (W. G.). *Die Krisis der Sozialdemokratie*. *Jahrb. Nat. Oek.*, 17, Heft 6. [The radical Marxian theories are undermined in the ranks of the socialists themselves; and social democracy is in process of transformation into a "bürgerlich-demokratische Reformpartei."]

## IV. LAND.

ADAMS (E. F.). *The Modern Farmer in his Business Relations*. San Francisco: N. J. Stone. 8vo. pp. 662. \$3.

[Contents of the several books: 1. Larger Aspects; 2. Education, — Agricultural Colleges and the like; 3. Family, Competitors, Creditors; 4. The Farmer as Business Man; 5. Co-operation, Principles and Management; 6. The Farmer and Questions of the Day; 7. Co-operative Fruit Marketing Societies in California. The author is a retired business man: the book is addressed to farmers and the general public.]

GOLTZ (T. v. d.). *Vorlesung über Agrarwesen und Agrarpolitik*. Jena: G. Fischer. 8vo.

[The well-known professor at Bonn here considers current agrarian questions in Germany: the fall in prices, small farms and large properties, the "Bauer" and the agricultural laborer, and the like.]

HERTZ (F. O.). *Die agrarischen*

*Fragen im Verhältnis zum Socialismus*. Mit Vorrede von Ed. Bernstein. Vienna: L. Rosner. 8vo. pp. 151. 2 m.

MAZZOLA (U.). *La Colonizzazione interna in Prussia*. [In the *Annali di Agricoltura*.] Rome. 4to. pp. 313, with tables and colored plates.

SCHIFF (Walter, Ph.D.). *Oesterreich's Agrarpolitik seit der Grundentlastung*. Band I. Tübingen: H. Laupp. 8vo. pp. 692. 14 m.

[This first volume covers the period of "Landeskulturpolitik" from 1848 to 1880, including chapters on the abolition of communal systems. A second volume on later agrarian history is promised.]

*In Periodicals.*

CROWELL (J. F.). *Economic Aspects of British Agriculture*. *Annals Amer. Acad. Pol. and Soc. Sci.*, Sept.

- EMERICK (C. F.). Government Loans to Farmers. *Pol. Sci. Quarterly*, Sept. [The "disastrous experiment" of selling public lands on credit, under the older United States laws, affords strong ground for opposition to government loans to farmers.]
- STONE (N. I.). A Comparative Study of the Statistics of Agriculture of the Tenth and Eleventh Censuses. *Publ. Amer. Statist. Assoc.*, June. [Conclusion: the medium size farm grows at the expense of either extreme.]
- VALENTI (G.). La limitazione della terra e la causa prima dei fenomeni economici. *Giorn. degli Econ.*, Aug. [First part of a discussion of Loria's doctrine as to property in land.]
- VANDERVELDE (E.). Ein Kapitel zur Aufsaugung des Landes durch die Stadt [in Belgium]. *Archiv f. Soz. Gesetzg.*, 14, Heft 1, 2.
- . L'Influence des villes sur les campagnes. *Ann. de l'Inst. des Sci. Soc.*, June, July. [Continuing previous essays, and taking up other provinces of Belgium.]

## V. POPULATION, EMIGRATION, AND COLONIES.

- IRELAND (A.). Tropical Colonization: An Introduction to the Study of the Subject. New York: Macmillan Co. 8vo. pp. 294. \$2.
- [The author, who has spent twelve years in British Colonies, here discusses Forms of Government in Tropical Colonies; the Labor Problem; Indentured Labor in British Colonies; the Dutch Solution; the Colonial Problem in the United States.]
- RUTTEN (A.). La population belge depuis 1830. I. État de la population. Louvain: Ch. Peeters. 8vo. pp. 123. 5 fr.
- SAUSSURE (L. de). Psychologie de la colonisation française dans ses rapports avec les sociétés indigènes. Paris: F. Alcan. 16mo. pp. 316. 3.50 fr.
- [An analysis of the methods of French colonization, alleged to be based on the theory, derived from the philosophy of the 18th century, that races do not inherently differ: hence failing, because not respecting the habits of alien races.]
- In Periodicals.*
- BUSHÉE (F. A.). The Growth of the Population of Boston. *Publ. Amer. Statist. Assoc.*, June. [With special regard to constituent elements at various periods and to the accretions from domestic and foreign immigration.]

## VI. TRANSPORTATION AND EXCHANGE.

- PETERS (Max). Die Entwicklung der deutschen Rhederel seit Beginn dieses Jahrhunderts. 1 Band. Jena: G. Fischer. 8vo. pp. 193. 4.50 m.
- In Periodicals.*
- CHARLIER (C. v. L.). Grundzüge einer Theorie zur Berechnung von Eisenbahntarifen. *Archiv f. Eisenb.*, Aug. [The author, director of an astronomical observatory in Sweden, here concludes his mathematical analysis of railway tariffs and rates.]
- HIGGINS (E. E.). The Larger Transportation Problems in Cities. *Municipal Affairs*, June. [A paper before the Franklin Institute of Philadelphia, by the editor of the *Street Railway Journal*, chiefly on the general aspects of electric street railways.]
- MCLEAN (S. J.). Canadian Railways and the Bonding Question.

Journ. Polit. Econ., Sept. [The effects of the carriage of freight in bond by Canadian railways.]  
 TUNELL (G.). The Transportation

of Mail. A Valuation of Data. Journ. Polit. Econ., Sept. [Criticism of data offered to a Congressional committee by F. Acker.]

#### VII. INTERNATIONAL TRADE AND CUSTOMS TARIFFS.

CHAPMAN (S. J.). The History of Trade between the United Kingdom and the United States. London: Sonnenschein & Co. [Announced.]

*In Periodicals.*

FLUX (A. W.). The Commercial Supremacy of Great Britain.

Econ. Journ., June. [This supremacy remains in the main unshaken.]

SAYOUS (A. E.). Das französische National-Exportamt. Zeitschr. ges. Staatsw., 55, Heft 2. [Description of the bureau established by law of 1898, with a forecast, not optimistic, as to its efficacy.]

#### VIII. MONEY, BANKING, CREDIT, AND PRICES.

TAVERNIER (A., Professeur à l'Association Technique). Opérations de banque et de bourse. Paris: Béranger. 12mo. pp. 200. 5 fr.

[Addressed to commercial students and employees, and explaining, with examples, banking and exchange operations, with special regard to France.]

TUPPER (Alvaro Bianchi). El Gramor. Estudio sobre la adopción de una nueva unidad monetaria. Santiago de Chile: Impr. Cervantes. 8vo. pp. 227.

["El Gramor" is a monetary unit containing one grain of pure gold, the basis of the proposed monetary system. The book which advocates this system reproduces, with revision, articles published in the *Revista de Chile*.]

*In Periodicals.*

CONANT (C. A.). Securities as a Means of Payment. Annals Amer. Acad. Pol. and Soc. Sci., Sept. [The use of securities in international payments described.]

DARWIN (Leonard). The Stability of Gold and Silver Prices in Recent Years. Journ. Roy. Statist. Soc., June. [Based on F. J. Atkinson's articles in the same journal; maintaining the stability of silver prices in India.]

DENIS (H.). L'Union du Crédit de Bruxelles. Une expérience d'un demi-siècle dans la mutualité du crédit. Rev. d'Econ. Pol., July. [First article.]

FALKNER (R. P.). Have we Sufficient Gold in Circulation? Forum, Aug. [The estimates of the Mint Bureau analyzed and found excessive, and a probable source of error found in unrecorded exportation by outgoing passengers.]

GREEF (G. de). Le crédit commercial et la banque nationale de Belgique. Ann. de l'Inst. des Sci. Soc., June, July. [Continuation of systematic examination of the Bank of Belgium.]

MEADE (E. S.). The Relative Stability of Gold and Silver. Annals Amer. Acad. Pol. and Soc. Sci., July. [Conclusion: from quarter to quarter, gold is more stable; over periods of years, silver.]

POWNALL (G. H.). Bank Reserves. Econ. Journ., Sept. [A larger stock of cash is needed in England; the Issue Department should keep it; bankers do not keep cash enough.]

SIMMEL (G.). Fragment aus einer "Philosophie des Geldes." Jahrb. f. Gesetzg., 23, Heft 3. ["Problem: die historische Verdrängung der Substanzbedeutung des Geldes durch seine Funktionsbedeutung."]

- SOLVAY (E.). La monnaie et le compte. *Ann. de l'Inst. des Sci. Soc.*, June. [Continued; in exposition and advocacy of the author's plan of comptabilism.]
- WALRAS (L.). Sulle equazione della circolazione. *Giorn. degli Econ.*, Aug.
- UNSIGNED. Entwurf eines Gesetzes betr. die Abänderung des Bankgesetzes von 1875. *Ann. des Deutsch. Reiches*, 1899. No. 6. [Text, with Begründung, of the bill laid before the Reichstag in January.]

## IX. FINANCE AND TAXATION.

- BESSON (E.). Le contrôle des budgets en France et à l'étranger. *Étude historique et critique . . . depuis les temps les plus reculés jusqu'à nos jours*. Paris: Chevalier-Marescq. Svo. pp. 638. 7.50 fr.
- [Crowned by the Academy of Political and Moral Sciences. History and organization of budgetary control, especially in England, France, and Italy.]
- BOYER (M., Docteur ès Sci. Pol.). L'impôt sur le revenu des valeurs mobilières. Paris: Giard & Brière. Svo. 4 fr.
- CECILIA (Eugenio La). Saggio storico sulla evoluzione dei tributi. Volume primo. Naples: G. Pisanzio. Svo. pp. 298. 6 l.
- [Covers the period from ancient times to the communes of the Middle Ages. Vol. II. will treat of modern development.]
- CHAPMAN (S. J.). Local Government and State Aid: Essay on the Effect on Local Administration and Finance of Payment to Local Authorities of Proceeds of Certain Imperial Taxes. (Social Science Series.) London: Sonnenschein. Svo. pp. 146. 2s. 6d.
- DANIELS (W. M., professor in Princeton University). The Elements of Public Finance, including the Monetary System of the United States. New York: Henry Holt & Co. 12mo. pp. 383. \$1.25.
- [Designed for use as a text-book in colleges. Part I. considers Government Outlay; Part II., Government Income, including questions as to railways and municipal monopolies; Part III., Treasury Management, including a chapter on the United States Treasury.]
- HALLGARTEN (R.). Die kommunale Besteuerung des unverdiensten Zuwachses in England. Stuttgart: Cotta. Svo. pp. 216. 4.80 m.
- [In Münchener Volksw. Studien.]
- KOPP (Ad.). Zehentwesen und Zehentablösung in Baden. Freiburg: J. C. B. Mohr. Svo. pp. 159. 4.20 m.
- [In Volksw. Abhandlungen der badischen Hochschulen.]
- PLEBANO (A.). Storia delle finanze Italiane dalla costituzione del nuovo regno alla fine del secolo XIX. Vol. I. Turin: Roux, Frassati & Co. Svo. pp. 528. 6 fr.
- [From 1861 to 1878, with a preliminary view of the finances of the Subalpine Kingdom.]
- TANGORRA (V.). Il controllo fiscale nell'amministrazione finanziaria. Turin: Fr. Bocca. Svo. pp. 143. 3 l.
- [History, principles, methods of administrative control, e.g., by Courts of Accounts, of the execution of fiscal laws.]
- VEBER (Adrien, Conseiller municipal du Paris). La suppression des Octrois. Paris: Giard & Brière. Svo. 5 fr.
- [Contents: Origine; Historique; La question à Paris et en Province; Conclusion.]
- In Periodicals.*
- BASTABLE (C. F.). The New Budget and the Principles of Financial Policy. *Econ. Journ.*, June.
- COSSA (L.). La teoria dell'imposta: saggio bibliografico. *Giorn. degli Econ.*, Aug. [Left unfinished and

- edited by E. Cossa, now continued and brought to 1895.]
- CURTIS (C. E.). Taxation of Street Railways for Purposes of Revenue and Control. *Yale Rev.*, Aug. [With summary statement of existing taxes in the United States; recommending, finally, percentage taxes on gross receipts.]
- EDGEWORTH (F. Y.). Professor Seligman on the Mathematical Method in Political Economy. *Econ. Journ.*, June. [Critical examination of passages in Seligman's Shifting and Incidence of Taxation.]
- GIFFEN (Sir R.). Consols in a Great War. *Econ. Journ.*, Sept. [The present price of consols is artificial, and likely to fall in a great war. Further reduction of debt is of doubtful policy.]
- HIRST (F. W.). Municipal Finance. *Econ. Journ.*, Sept. [General remarks on the taxation of realty and building-sites and the management of municipal enterprises.]
- HOLT (B. W.). The Single Tax applied to Cities. *Municipal Affairs*, June. [Advocating its adoption.]
- HOWE (F. C.). Taxation of Quasi-Public Corporations in Ohio and the Franchise Tax. *Annals Amer. Acad. Pol. and Soc. Sci.*, Sept. [The legislation and its working described, with suggestions for reform.]
- KAIJL (J.). Die historischen Steuerprincipien. *Zeitschr. f. Volksw. Soc.-Pol. und Verw.*, 8. Heft 3. [Translation, from the Bohemian, of a chapter in the author's book on Finance.]
- PLEBANO (A.). La distribuzione dell'imposta. *Giorn. degli Econ.*, July, Aug.
- PURDY (L.). Taxation of Personalty. *Municipal Affairs*, June. [Discussed with special reference to city conditions; rehearsing familiar difficulties.]
- ROW-FOGS (J. A.). Local Finance in Scotland. *Econ. Journ.*, June.
- WARNER (J. D.). The Ford Bill. *Municipal Affairs*, June. [History of the New York act for taxing franchises, its text, and a weighing of objections.]
- WEST (M.). City and Country Taxes. II. *Pol. Sci. Quart.*, Sept. [The inquiry here concluded is chiefly on the facts in regard to the taxation of personal property in different parts of the United States.]
- WESTLAKE (Professor J.). The Theory of Taxation, with Reference to Nationality, Residence, and Property. *Econ. Journ.*, Sept. [I. Taxation considered internationally; II. General and Local Taxation.]
- UNSIGNED. British Finance in the Nineteenth Century. *Edinburgh Rev.*, July. [A review of British Budget speeches, 1815-99.]

#### X. HISTORY, BIOGRAPHY, AND DESCRIPTION.

- BADEN-POWELL (G.). The Origin and Growth of Village Communities in India. London: Sonnenschein & Co. 12mo. 2s. 6d.
- BATESON (M.). Records of the Borough of Leicester. Cambridge: Clay. 8vo. 2s. [Being a series of extracts, with translations, from the archives of the corporation, 1103-1327.]
- BOCH (R. v.). Geschichte der Töpferarbeiter von Staffordshire im 19. Jahrhundert. Stuttgart: Cotta. 8vo. pp. 340. 7 m. [In *Münchener Volksw. Studien.*]
- BÜCHER (K.). Frankfurt's Staatshaushalt im Mittelalter. Leipzig: Veit & Co. 8vo. 10 m. [Announced.]
- CLAASSEN (W.). Schweizer Bauernpolitik im Zeitalter Ulrich Zwingli's. Berlin: E. Felber. 8vo. 5 m. [In *Sozialgeschichtliche Forschungen*, publ. as *Ergänzungshefte zur Zeitschr. f. Sozial- und Wirtschaftsgeschichte.*]
- EINAUDI (Luigi, liberodocente nella Università di Torino). Un Principe Mercante: studio sulla es-



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[In this edition "some matters which had been found difficult for beginners are omitted, others relegated to appendices, others again explained at greater length."]

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[A new and complete edition of Petty's works, edited with scholarly care.]

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[The French appeared in 189-. Ch. I. The Repetition of Phenomenon; Ch. II. The Opposition; Ch. III. The Adaptation.]

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